FARM CRISIS: GROWING POVERTY AND HUNGER AMONG AMERICA'S FOOD PRODUCERS

HEARING

BEFORE THE

DOMESTIC TASK FORCE

OF THE

SELECT COMMITTEE ON HUNGER
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, JUNE 24, 1987

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FARM CRISIS: GROWING POVERTY AND HUNGER AMONG AMERICA'S FOOD PRODUCERS

WEDNESDAY, JUNE 24, 1987

HOUSE OF REPRESENTATIVES,
DOMESTIC TASK FORCE,
SELECT COMMITTEE ON HUNGER,
Washington, DC.

The task force met, pursuant to notice, at 9:35 a.m., in room B-138, Rayburn House Office Building, Hon. Leon E. Panetta (chairman of the task force) presiding.

Members present: Representatives Leland, Dorgan, Ackerman, Espy, Patterson, Roukema, Emerson, and Smith.

OPENING STATEMENT OF HON. MICKEY LELAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Chairman LELAND. Good morning.

I would like to take this opportunity to thank the chairman of the Domestic Task Force, Mr. Panetta, for his leadership in bringing this issue of poverty and hunger among farmers in the country before the committee this morning. Mr. Panetta has been delayed and will not be here for some time. But I would like to certainly, as a matter of record, commend him for his leadership in this area not only as chairman of the Task Force on Domestic Hunger for the Select Committee on Hunger, but also as chairman of the Domestic Marketing, Consumer Relations, and Nutrition Subcommittee of the Agriculture Committee.

Through communication with advocates, social workers and representatives of the farming community, the select committee has learned of the hardships confronting the owners of moderate and small sized family farms. Statistics on farm foreclosures indicate that the family managed farm, once a traditional American institution, is quickly moving toward extinction. Many have articulated the view that the family farmer is becoming a population group particularly vulnerable to hunger and poverty.

You need only examine the increased participation at emergency feeding centers and food pantries by farm families or to look at the increase in the applications for public assistance among farm families to determine that the family farmer in this country is truly in jeopardy.

A tremendous amount of time and energy has been spent on lengthy, often heated, debate surrounding our national agricultural policy. I applaud both the House and Senate Agriculture Committees, for the attention they have focused on remedying the farm crisis in general. However, I feel that we must seize the opportuni-

ty to explore a component of the farm crisis which seems to have been ignored: the human aspect of the farm crisis.

What assistance are we offering for the immediate survival of the family farmer? By all indicators, we have been delinquent. The complexities and convoluted nature of the public assistance system often preclude the farm family from receiving benefits to which it is entitled. Contradictory eligibility guidelines and basic assistance programs deny these families access to sorely needed food aid.

It seems ironic that through good times and bad times the family farmer has provided this Nation with the sustenance to make it strong. Yet now, when this group is encountering hard times and must rely on public assistance for revival, it is confronted by a support system that is too reluctant and inflexible to provide needed assistance. It is now time to insure that these individuals and families receive the benefits they need to pursue their livelihoods with the same strength and vigor afforded other American citizens.

This hearing offers an excellent forum for discussing these and other issues involving the conditions of the family farmer. I welcome our witnesses, and look forward to their testimony.

Let me now turn to my colleague from Missouri, Mr. Emerson, who is the ranking member of the Domestic Task Force for the Select Committee on Hunger and who too has been a leader and in the forefront of trying to find assistance not only for the family farmer, but in his capacity on the Domestic Marketing, Consumer Relations and Nutrition Subcommittee on the Agriculture Committee has done so much to try to rally some resources to help the American people in these very difficult times.

Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman. I don't have an opening statement. I do have a statement that I would like to submit for the record.

Chairman LELAND. Without objection, your full statement will be entered into the record.

Mr. EMERSON. Thank you.

[The prepared statement of Mr. Emerson appears at the conclusion of the hearing, see p. 66.]

Chairman LELAND. Let me now turn to Mrs. Patterson, one of our newest members to the committee, the gentlelady from South Carolina.

OPENING STATEMENT OF HON. ELIZABETH J. PATTERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mrs. PATTERSON. Thank you, Mr. Chairman.

I don't have a prepared statement, but I would just like to thank you for your leadership in this vital problem that we have, especially as it faces my State of South Carolina. I think as we think about world hunger, we have to think about world hunger as it affects us at home and especially as it affects our farmers. So, I appreciate your leadership and the leadership of this committee as we look at this issue. And I particularly want to thank those who will be testifying before us today for helping me learn more about how we can address the problems of hunger.

Chairman LELAND. I would now like to call forward our first panel of witnesses. We are pleased to have Mr. Jim Hightower, commissioner of the Department of Agriculture for the State of Texas. During the past few years he has initiated the crafting and implementation of a number of innovative projects which range from revitalizing the agricultural economy in Texas to helping low-income residents of rural Texas communities access nutrition and financial assistance programs.

Joining Commissioner Hightower is Mr. Ollie Williams, a farmer from Prairie View, TX, not too far from my district, Houston. Mr. Williams recently joined a farm cooperative project initiated by the Texas Department of Agriculture through which member farmers are learning to diversify their crops and develop marketing techniques.

Please come forward, and I look forward to your testimony. Mr. Hightower, it's a special privilege to have the commissioner from my home State to come and participate in this hearing this morning.

Mr. HIGHTOWER. Thank you, Mr. Chairman. We'll put Ollie either to the right or left, wherever he feels more comfortable.

STATEMENT OF JIM HIGHTOWER, COMMISSIONER, TEXAS DEPARTMENT OF AGRICULTURE

Mr. HIGHTOWER. Mr. Chairman and members of this committee, we thank you for this opportunity to present a Texas viewpoint on this critical problem that you're dealing with which we see as one of the most persistent and stubborn, important, and in many ways shameful problems in U.S. society, the problem of hard times in a land of plenty.

But we are also grateful to you as chairman of this committee, your initiative, and the full committee's focus of really altering this debate away from the mistaken notion that poverty and hunger are somehow or other the affliction solely of the ignorant and the "ne'er do wells," the folks who are helpless or who won't help themselves and on to the reality that economic results, including poverty, are derived from economic policies that we take as a Nation, economic policies that we take or that we choose not to take.

The truth is that present economic policies not only are holding low-income families down, but they are also pulling middle-income families down. For the first time probably in half a century, we have now, as a matter of official policy, downward mobility within the American society. A lot of people like to say, Oh, well, what are you talking about. Wall Street is booming. We are doing great, but finally we've got to ask the fundamental question of a boom for whom? Not for those dirt farmers who are out there who had a positive cash flow before this boom was launched and now don't have a farm; not for Gulf Coast factory workers in my State who were earning good union wages before the boom, but now don't have half a good wage and probably don't have a union; not for white collar workers in cities like Dallas and in Houston who were middle class and upwardly mobile until the corporate raider took

over their firm and promptly eliminated their jobs and their pensions in order to finance the raid.

The same sort of scenario can be developed for small business people, for entrepreneurs, for wildcatters. These are enterprising, productive people who suddenly find their enterprise stifled and find that their mobility is rather decidedly downward. It is pretty much the old story. The rich are getting richer, and the rest of us are getting left behind.

One group, as you indicated and we're here to discuss today, that is falling the furthest behind is America's farm families. Ironically those who produce the food are having a hard time putting food on their own tables, having a hard time making ends meet and, in fact, having a hard time hanging onto their farms at all. Since 1981 we have lost half a million farmers in the United States of America, and at least a third of those that remain, as you know in your own States, are pretty much on the brink of going broke.

Too many of us in policy positions like to brush this off as somehow or other inevitable, that these are—and even some of us blame the farmers themselves, say, well, it's a bunch of rubes who just can't hack it in the global economy. Well, that's nonsense.

The truth is we're not losing guys with 40 acres and a mule, and we're not losing the hobby farmers, the corporate lawyers and doctors and all who have got a little farm out there on the weekend so they can go get their picture made and hang on the wall with their prize cow. What we are losing are our very best farmers, the college educated, full-time, fully modernized, dedicated farmer who produces the vast majority of the food that we consume, the people that we count on to put three squares a day on the table.

In our State of Texas, Mr. Leland, in the start of 1986 we had about 50,000 of these full-time commercial farm and ranch operators. By the end of 1986, the start of this year, we had lost 14,000 out of that 50,000; 28 percent of the full-time commercial family farm operators in the State of Texas went out of business last year. And these are people who, as I say, have been to college studying, not just cows and plows, but getting a little marketing, a little management, the people who are sophisticated farmers that we are going to count on to have a prosperous and sound agricultural economy over the long haul. These are the very people that we are losing.

As I say, we lost 28 percent of them last year. In the first 4 months of this year, farm failures in Texas are 300 percent higher than they were in the first 4 months of last year. We are facing a crash not of a few farms, but a crash of the family farm system itself.

My point is that these are not victims of bad management. They're not victims of bad luck or bad weather. They're victims of bad agricultural policies that deliberately depress the price that they are able to get on their commodities, forcing them to strain all of their resources, their capital, their land and water, their family enterprise in order to increase their yield with the necessary result that we have busted the market price. We have busted the Federal budget, and we are busting the family farm in the process.

And of course, when that family farm goes, so does the local community. On the average a bankrupt farmer in the United States

leaves $77,000 worth of unsecured debt. After you've liquidated all that they've got, there is still $77,000 that is unsecured. That is held by somebody in the town. In fact, a loss of 5 to 7 farmers, depending on where you look in the United States, shuts down one main street business. And that is happening throughout rural America.

In towns of less than 1,000 population since 1980 retail sales have dropped by 32 percent. Since 1981 2,300 farm equipment dealers have gone out of business. What was an $11.5 billion a year industry now is a $4.5 billion a year industry. And that flows right on into the cities where factory workers are making those farm implements, et cetera. United Auto Workers has lost 68,000 members since 1981 out of their farm implement manufacturing operations. That is 63 percent of their membership out of business. And when they go, the same goes with the bankers. Last year the State of Texas had a single year record for most banks to fold in a State. We lost 26 banks last year. We have lost 31 banks already in the State of Texas this year.

We have got an economic collapse going on, and that economic collapse is creating a new class of new poor and near poor in the United States. It is something that cannot be ignored if our society is to be made whole again and if our economy is going to be made either fair or sound. Unfortunately, the ideologues and ignoramuses who have devised and implemented today's economic programs seem to live behind some sort of rose-colored glasses that do not see that millions of middle-class Americans literally are falling through the widening cracks of the half-baked economic theories that we are operating under right now.

Those displaced farmers, those laid-off factory workers, those bankrupted small business people don't have golden parachutes to take care of their situation. They don't have deferred compensation, stock options. They don't have daddy's fortune to cushion their misfortune. Instead, they are tossed on the shoals of poverty, and that brings us to the discussion here today because that's exactly where they are.

In 1980 there were 2.1 million Texans on the poverty rolls, roughly 15 percent of our population. Last year we had more than 3 million Texans on the poverty roles, just about 19 percent of our population. That is an increase of 926,000 people, a city bigger than Dallas that previously was middle class and is now on the poverty rolls in our State. It is worse in the rural areas. In 1980 just over 23 percent of rural Texas households had income beneath the poverty level. Today 28 percent of those rural families are beneath the poverty level.

This is not some kind of bucolic genteel poverty. It is the same sort of dignity-stripping, needy poverty that we find in the cities. It is poverty that adds insult to injury, that turns economic depression into personal depression. People who likely opposed the food assistance programs in 1981 now find themselves in line to take advantage of those food assistance programs.

Unfortunately the need for those programs is greatly outstripping the supply. I will just give you two or three examples here of what is happening in the rural areas of our State. The Concho Valley Food Bank, which is out in the San Angelo area of west

Texas, services 14 counties. In 1984 it was distributing 51,000 pounds of food. By 1985 they were up to 168,000 pounds of food. Last year they did 582,000 pounds of food. This year they will do more than 1 million pounds, and that will be less than half of the demand in that community—of the demand, not of the need. The need is even greater than that. Mostly in the rural areas, particularly these farmers, they tend to be a very proud people and try everything not to have to go in and make a demand. So, the need is even greater than the demand, but the need is less than half of what the supply is in the Concho Valley Food Bank.

The same thing in the High Plains Food Bank up in Amarillo. They service 29 counties. They did 250,000 pounds of food in 1982. Last year they did 1 million pounds of food distribution. The monthly averages this year are double last year's, but less than half of the demand there.

Same with the South Plains Food Bank that is in Lubbock, about 19 counties that it services. It is serving four times the food this year that it did in 1984, and again that is less than half of the demand that they have.

In any rural area you want to look at in terms of food stamp service, WIC Program allocations, the food bank operations, all food services systems programs, the demand has quadrupled, quintupled, sextupled in the last 6 years. Yet, the supply is at best half of what we need to come up with. Well, enough of this.

What are we going to do about this? What I think we have got to do in a philosophical sense is to renew our investment in the economic potential of the average American. There are three ways to try to apply that.

First of all, is the immediate that you are addressing. Despite Reader's Digest anecdotes, a majority of people on poverty rolls are not there permanently and do not desire to be there at all. What they seek is a helping hand in the short run and an economic opportunity in the long run. We have proven programs in this country that help to stabilize the economic position of families like that and help to send them back on their way to economic independence: Food Stamp Programs, the Women with Infant Children Program, AFDC, Head Start, School Breakfast, et cetera.

Rather than continuing the erosion of the last half-a-dozen years of the funding for these programs and of the eligibility standards for these programs, we need to be shoring those up it seems to me to take steps such as those that are contemplated in the Kennedy-Panetta Hunger Relief Act. Bring food stamp eligibility requirements back to the levels of preboom that we are now enjoying in the United States. We need to expand participation, as they propose to do in that piece of legislation, in the WIC Program, and we need to include summer school students in the School Lunch Program.

A second step we need to take is to build a new farm policy in this country, a new farm program, around profitable prices for farmers again, profitable prices so that productive, efficient farmers would have a chance to make a profit and to make that profit not out of the taxpayer's pocket but from the marketplace itself.

There are a number of proposals before the Congress to address that. I won't go into detail in these prepared remarks about it. We can get into it if you want to talk about it.

But a third thing, and I think the most fundamental thing that we have got to focus on, is that we have got to have a grassroots economic development plan that allows poverty stricken families to return as productive members of our mainstream economy. People, as I say, don't want to remain dependent on food stamps and other forms of welfare assistance. Farmers, farmworkers—they want to work. Factory workers, those people in the chemical plants down in the Gulf Coast of Texas—all they want is a job. Small business people—what they want is a chance to open those doors and to compete.

Unfortunately, that is hard to do these days. And sometimes it takes a little boost to make that happen. We like to talk about free enterprise, and we all are proud to live under a free enterprise system. But it has got to be more than a slogan that we salute at the annual meeting of our corporation. I view free not as an adjective, but as a verb. You have got to free up the enterprise of people to allow them to do what they can do, which is to contribute to our society.

We have been trying to be active in the State of Texas in the Texas Department of Agriculture to try to help people turn their enterprise loose. We have done that through three basic programs. One is to encourage and foster the diversification of our agriculture. If you can't make money on cotton and corn and cows, then maybe you got to move into something that consumers are paying a price for that would allow us to produce it at a profit. And we are doing that. Blueberries, wine grapes, buffalo, Christmas trees, herbs, fresh-water-fish farms, a long list of crops that we can produce in the State of Texas at a profit with a market that is already identified.

In fact, just working with about 14 of those crops, we have identified markets that would add $7 billion to the agricultural economy of Texas. Our present agricultural economy is generating $9 billion. So, you can see that you are coming close to doubling the economy just in 14 alternative crops.

These are not pie-in-the-sky things. These are crops for which there is a market established and people in that market saying we will buy that crop if you produce it. This requires a hands-on effort by our department to work with the market first, and then bring that back to producers and say here's an opportunity for you to move into that.

A second way that we operate is to establish more direct contact between the farmer and the ultimate buyer of that product, direct marketing that may be everything from farmers' markets—in the last 4 years we have been able to go from no State-assisted farmers' markets to, we will have about 82 or 83 of them in the State this year. That doesn't solve the world economic problems of farming, but it does solve the economic problems of the farm family that participates. They averaged about $3,000 in cash income last year as a result of selling in that farmers' market. And that is often the only cash income that they have got. I am sure they are reporting that on their income tax, but that's another agency that handles

that. So, we don't check that too closely. But the point is there is real money changing hands as a result of those little farmers' markets.

We have another program of direct wholesale markets that brings farmers directly into the supermarkets and directly into the restaurants so that instead of a whole series of middlemen being in there, they can go direct and get the cash value of that sale.

We also assist our farmers in going directly into the international market. We hear a lot about the loss of international markets for U.S. agriculture, but in my view that is because the U.S. Department of Agriculture does no market development. Their idea of an international marketing is hope the Russian wheat crop fails, then Cargill can move in and make a sale when, in fact, there are markets out there. It may be not 200 million metric tons. It might be 20,000 metric tons, but that would result in a million dollar sale to a farmer or to an elevator in our State. That's the level of sales that are out there, and if you're aggressive and go hustle it, you can find those sales and you can make them. And the farmers in Texas are able to do that through a program that we have established.

In addition to diversification, direct marketing, the third thing that we try to work on is the establishment of food processing facilities that are owned with some farmer ownership and owned by small business people in local communities. These are lovely industries, and most States pay no attention to it. We tend to think, well, Del Monte, now owned by R.J. Reynolds who is owned by whomever, takes care of all that. That is the way it has been, but the truth is that there are a lot of niches in the marketplace out there for food processing that are decentralized industries. They take a relatively low capital cost to establish. They are job creators. They are relatively good in terms of environmental concerns. They are industries that make sense for local communities, and they are industries, with a little helping hand of agencies like ours, you can make a big difference in.

We have helped wheat farmers in the Panhandle of Texas. We will mill the first flour to be milled in the Panhandle for generations. That will put $10 million and 14 jobs into the town of Dawn. Now 14 jobs doesn't solve unemployment in Texas, but it does solve it in Dawn, TX. And that is the attitude that we bring: let's take care of a problem here and see if we can get something going that is genuine. That flour mill is going to make 300,000 pounds of flour a day. That will make a pretty good biscuit. I mean, we are not talking about a demonstration project here, but a real enterprise. We had 75 percent of that flour sold before we ever broke ground on the Dawn flour mill.

The point is, with a little market development, with a little capital formation assistance, with some business assistance, local people can use their enterprise and build facilities there that grow their way out of their economic problems, and that helps our State and our country grow its way out of economic problems. People who might previously have had to be on food assistance programs can now be in business and taking care of their own needs.

We have got now some 62 of these projects in the State of Texas that we are working with. When these come to total fruition, those

62 projects will generate more than 5,000 direct jobs in those plants and they will produce $582 million in first year sales as a result of these little enterprises. Again, these are things that make sense.

In addition, we try to work with these hard-pressed farmers on some special projects just to get a little income into their pockets. I mentioned the farmers' markets, but we have got others. We've got a program of organizing farmers to allow hunters and fishermen to come onto their land, if they choose to do so on a lease arrangement. We work with the Parks and Wildlife Service. We link the hunters up with the farms and the ranches. That is producing income for those folks. We've got a country crafted program that we have launched, where, if you are making quilts or you are making jams and jellies or making saddles or making whatever, we will help you sell that through a program that we have devised.

So, basically we try to look for little ways we can generate some income. We try to look for bigger ways that we can generate economic growth for the long haul. We are not talking about some sort of high-cost, high-tech, pie-in-the-sky economic development here, but a hands-on, grunt-level economic development. We know it works because it is working. All people need are just a few tools to work with.

I heard the President talk recently about how we don't need this kind of stuff because the magic of the marketplace takes care of all this. Well, if you'll think about it, the magician doesn't perform magic. The magician performs an illusion. And we can't eat those illusions out there in the countryside. We need a little assistance, and that doesn't mean Government has got to go back to the Great Society days of delivering bushel baskets of money out to hand to people. It means that we use Government as a catalyst doing the market development, getting people in the door, helping them with capital formation, local banks, financing sources of all sorts. You help them develop a business plan. You help them understand what a cash flow analysis is. You give them that sort of business training assistance. You help them with problem solving, bureaucratic problem solving, at the State level, Federal level, internationally.

The experience that we have had in Texas could also be applied on a national level. Other States are picking up. We are also stealing ideas from other States, I would add. But maybe it is time for us at a Federal level to begin to address this too.

And there are a number of initiatives that could be launched from a Federal level along this line, things like crop insurance. You're got a crop insurance program now, but in many places it doesn't cover the diversified crops. You've wanting somebody to get into blueberries. There is no crop insurance for it. That is a crop that needs crop insurance. So, we extend the coverage of crop insurance so that we can encourage diversification.

Production financing is a big problem, and we need to begin to deal with the Farmers Home Administration in financing some of these diversified crops. We have had people go in and say we would like to get in the Christmas tree business. We are able to show that you can make $2,500 an acre on Christmas tree production. There's nothing else in agriculture making anything like that. I'm talking

profit, $2,500. But Farmers Home says we don't do Christmas trees. We do cotton. So, we need to loosen that up.

We need to look at small enterprise financing. Some of these food processing facilities need additional funding sources, not necessarily even at a low capital cost. In many cases the capital just isn't there. The local bank again, kind of like Farmers Home, says we don't know wine grapes. We know cattle and we know oil and we know home construction. All three of those are in bankruptcy right now, so maybe they need to get somebody in those financial institutions who knows wine grapes because you can make money on wine grapes. So, maybe we need some financial incentives, financial lending programs out of the Federal Government that would encourage this kind of development.

We need new research that is earmarked for this kind of production and marketing of alternative crops. We need new direction to some of our land grant colleges, agricultural research service, and the extension service. And I would add to that, we need the outreach that would come with that through extension. Extension in my State is picking up and is beginning to move in this direction. But we need to look at successful cases around the country, it seems to me, and see if we can't give some direction to the overall system along this line.

And finally, we need that help in marketing. What we are doing at a State level could be done at a national level. You've got a Federal-State market improvement program in the Federal Government right now. That should be expanded to enhance these innovative State efforts to develop new markets for these alternative crops.

The reason we should make this kind of investment is not because those people need us, but we need them in our society. They are creative. They are productive people. We need them if we are to be a creative and productive economy. And what we will build as a result is not a trickle-down economy, but a percolate-up economy from the grassroots level that will create a broad foundation of small scale enterprise at a grassroots level that will solve a lot of the economic woes in this country.

If I might now just turn it to one who has been involved in the development of enterprises exactly like this. Ollie Williams is a founding member of the Hempstead Small Farmers Cooperative, and now serves as president of that co-op, which was organized in 1984 working with the Department of Agriculture. And they, under this program, market their produce to a number of chains, but their main chain is to the Kroger operation that has about 100 stores in the Houston area, where Ollie and his co-op provide watermelon and other produce. So, I'll turn it to Mr. Williams for a comment.

[The news release of Mr. Hightower appears at the conclusion of the hearing, see p. 72.]

STATEMENT OF OLLIE WILLIAMS, FARMER, PRAIRIE VIEW, TX

Mr. WILLIAMS. Thank you, Honorable Commissioner, Mr. Leland and other members of the committee.

As the Honorable Commissioner said, I'm Ollie Williams and I have been involved in farming all my life. I was born on the farm, and I have operated a farm 35 years. I have a degree in agriculture and taught school for 35 years. So, I'm a farm owner and operator. And of course, I have helped maintain the heritage of the old farm that was passed down from our parents, forefathers. And this farm is better than 100 years old.

Yes, there are problems and there are big problems in farming. I've seen some improve back through the years. And at the present time, I've seen it decline.

Just to give you an example of some of the experiences I have undergone—personal experience I've undergone and problems I've had, No. 1, as a black farmer for one, the lack of education to farmers. And what we mean when we say lack of education, we are talking about the lack of education of what products, how to produce products, means and ways of securing those finances that are necessary for a farmer to really get the best of or to improve—produce a productive product or increase production of product.

The other information involved in personal experience that I have was being unable at the end of the year to meet their indebtedness. Failure. That was a bad year and, of course, we have no control over weather conditions, and the farmer is unable to meet his indebtedness. Then the farming equipment and et cetera has to either be repossessed or to be refinanced.

With this being true and for the upcoming year, the farmer is unable to secure a loan from various means in order to operate the farm for the coming year, then this means that there will be a levy placed on the equipment or land if it is owned by this particular farmer, or the farmer will then receive these moneys and continue to farm for the coming year.

After a series of years, then the farmer becomes so indebted that he is unable to meet his indebtedness. Therefore, he selects to move on to the urban areas and secure a job. But this being true, land that is owned—small farms that are owned by minority farmers or nonminority farmers and the taxes will increase. In Texas there is a reduction in tax if the land is being under some farm commodity, if it has been used for a certain period of certain time. Then the taxes will be reduced.

If a farmer is unable to pay his taxes, then the land goes up for sale or resale. And this is one of the reasons why we find in Texas so many of these small farmers unable to maintain the farmlands that we have.

OK, examples. Just to give you some examples of what I'm talking about—and I'm just 45 miles west of Houston there, Mr. Leland. There was a young man I taught in 1963. He had 200 acres in cultivation of corn and watermelons just prior to the development of the co-op. He had three tractors and everything he owned was to be repossessed. So, thanks to the Honorable Commissioner, Jim Hightower, we learned about the co-op farming of a co-op, and the quickest way we could farm it was by watermelons. This is one of the quickest cash crops.

So, most of us were a little reluctant about going into this. We were already in debt and what have you. So, we got together. We decided we would try it anyway. And we did. This particular young

man was indebted $35,000. Just through watermelons alone, by having farmed a co-op, he was able to redeem all of his equipment, and he is functioning today.

However, we are running into other problems. All right. What had happened or what was the cause of this? No. 1, small farmers face the problem of market. There are no market. You are unable to get to the market. The big man, as we call it—everything is sold to—your larger chain stores is sold in volume. A man with 35 or 40 acres cannot furnish volume. So, we farm a cooperative. You get 15 or 20 people with 100 acres. Look at the volume you have. Then you are able to receive these commodities.

No. 2, you cut out the middleman. We go direct. This is direct marketing. We go direct from the field to the consumer. All right.

Before this could happen, the farmer faced the possibility of hunger, hunger in three ways. If you have never been in this situation, you just can imagine about what I'm talking about. But it's hunger in three ways. No. 1, financially, physically, and mentally.

It is a pretty hard feeling to grow a product knowing you don't have a market for it or knowing you can't sell it. So, what does a farmer have to do? It's useless. It doesn't make sense. As my grandfather used to tell me, never count your eggs before they are hatched. And I wondered why. The eggs—I figured they all would hatch. He said, son, some of them might have come off of cold storage and those on cold storage won't hatch. So, it doesn't make sense to know you can't sell a particular product. You have no market for it, and then to go stretch out to get in debt.

So, unfortunately, we don't have that problem right now. But the problem that we have we need to go diversified. The co-op has been farmed since 1984. We need to go diversified. Diversified. We need to change other products. We need to be educated on what products that are best for us in the particular locality which we are in. And I'm speaking of Hempstead, TX, which is in the county of Waller, 45 miles west of Houston.

We would like to go packing and repacking. We need a packing shed. What would this do? It would add jobs for those youngsters who are going to some day take our place, and then it will encourage others to come back to the farm instead of leaving the farm going into your urban areas.

To give you an example, my son lives in Dallas, TX. He was born on the farm. He received a degree from Prairie View, and he wants to come back to the farm. He lost his job 3 years ago. And I told him. I says, son, hang on. Just wait a little while longer. But he is ready to come back.

Now, if the farm cannot produce enough for his mother and I—and I'm struggling to maintain a little farm that I own and the home farm. And the only reason I'm able to do that is because I'm a school teacher. Now, right today taxes—I'm in trouble with taxes.

Anything that is not self-sufficing is a cancer. By that what I mean, means will have to come some other way. There must be some other means. As the Honorable Commissioner said, many of the people that had left the farm would like to come back. They want to come back because this is their heritage. But the problem is nonfinances, lack of education, and most of all, most important

of all, lack of a market with the products that are produced on the farm.

All right. Now, how has farming of this co-op in this particular area helped? The co-op has helped the entire county and adjacent counties of Waller County so much so until we have a member of the co-op that owns a potato chip factory. The potatoes are shipped in from Idaho and other places. We have tested the soil and if we are able to grow that potato there, then the consumer can get this product on the market much cheaper. And in the meantime this will involve jobs for the local people, and it also would be an incentive for those that are about to go out of farming and those that are out to come back into farming in order to maintain or keep some of this land and what have you, farms, and put them back in production and things of that nature. All right?

We also with this co-op would like to consume locally products that are grown within this county, pick them, those that are of quality to be shipped, ship them to Houston, the urban areas, and those that are not, we would like to contribute or give them to some unfortunate people.

For an example, like the charity area down in Houston, that you have Houston—the hunger. To donate this—there is nothing wrong with the quality. We would like to give it. We have been doing it since we have been farmed. All your Boy Scouts and these different organizations—we contributed all the excess that we have even in moneys and what have you that come from those products that are not shippable, but the quality is there. So, we do this in order to encourage people that are hungry.

OK. Once a farm from small farmers are being lost and they are unable to get it, then the farmer is too young to receive any assistance. He is too young for—doesn't have any—can't get on Medicare. He can't get food stamps because of age. And he is unable to get Social Security because he doesn't have any Social Security. Then the only alternative left for him is to move to an urban area somewhere to try to get a job. Then he's leaving the farm. And once he leave it, then that's it. There's no ways or means of keeping it up and maintaining and paying a school tax on it. So, this farmer is losing it.

I'd be happy to answer any questions you may have. Thank you.

Chairman LELAND. Let me thank both of you for coming before our committee and giving us the testimony that you have just given. Let me just ask the commissioner a question. Based on your experience with the Texas action plan, how would you suggest State agriculture departments coordinate with State and local human service departments and with the private sector to conduct food assistance program outreach to low-income persons?

Mr. HIGHTOWER. Well, basically you have got to approach it as just a problem solving situation. We as the Texas Department of Agriculture are not a hunger agency. We receive no funds, have no appropriation to do that. But often the needs of a hunger community are very practical needs. They need transportation.

For example, that cheese and butter distribution program—the Federal Government gets the commodity to Dallas. They will get it, as far as I understand, to Amarillo or Lubbock or some place like that, but that is not where the need is. The need is in Tulia, and

the need is in Dimmitt, and the need is New Deal and towns like that which may be 100 miles from Amarillo, maybe 200 miles from Amarillo.

So, what we have done working with churches and other cultural agencies and social agencies in those smaller communities is make available some of the trucks and other vehicles that we have in the Department of Agriculture in the evenings and on weekends to move this.

We work with the food banks and other hunger groups in support of some gleaning legislation. As Ollie indicated, there are a lot of farmers out there who would just as soon—I mean, sometimes it would cost you more money to harvest the potatoes than you are going to get for them. So, they're not going to harvest those potatoes, and they would be willing for—in fact, would be overjoyed if those potatoes could do some good in Dallas or do some good wherever.

But two problems there—one is liability problems of allowing a gleaning crew to go into the fields and get them. That is a State legislative problem that we are trying to address. We have not succeeded in this last session of the legislature, but we will be back on that one.

The second problem is that problem of transportation, getting it from the field into the cities. As I said, we are trying to deal with that.

We also work through our hot line. We have established a Farm Aid hot line in the State to work with distressed farmers on their food needs. As I say, we counsel them that it is OK to go get food stamps. And then we work with them on the paperwork and getting them in the right place. So, we just do a little hands-on advocacy in personal cases along that line.

We also are working with the extension agents and others in the cities on community gardens, a system of community gardens to go back to so that we can meet some of our food needs ourselves.

And then we have also established farmers' markets, as I say, around the State. And those farmers' are located in areas where there are hungry people. And in addition, we are working with those farmers's markets to tie in with surplus that they have to go to food banks and that sort of stuff.

So, there are just very practical little things that you can do.

Chairman LELAND. Mr. Williams, let me ask you. Do you know of any farmers who are actually receiving food stamps?

Mr. WILLIAMS. Yes, I know of some in Waller County actually receiving food stamps. But the only reason they're receiving them—it took a year or better before they were able to get on them. When they had been farmers and they stopped farming, and for some reason I guess it was in the blood and they went back. So, they had to do something until they got on the food stamps.

But in this particular case, in one particular case, when they started back farming, then they stopped the food stamps and also cut out on welfare that they were getting.

Chairman LELAND. Mr. Commissioner, can you comment on the utilization of food stamps by farmers? Is the program adequate? Do you have some ideas about what we need to do with the Food Stamp Program? Recognizing the pride that most family farmers

have whom I have come in contact with; to what extent does this kind of pride make them resist or refuse to accept food stamps?

Mr. HIGHTOWER. Yes. That's the major problem.

There is dramatic increase—I don't have statistics on it. I don't know if the food stamp agency itself, USDA, would have those statistics. But there is a dramatic increase in the use of food assistance programs by farmers in the State over the last 6 years, but in particular in the last 2 years.

The major need, it would seem to me, would be addressed somewhat by the Kennedy-Panetta proposal which I do support. That would put the eligibility standards back to where they belong frankly and back to pre-1981 levels and would also encourage the outreach that is necessary. I mean, a major problem is food stamps are there, but there is no real outreach program particularly to people like farmers and those areas to do a little bit of counseling, a little bit of the paperwork, to try to encourage the use of them.

Again, these are folks who do not intend to be on food stamps all their life. These are folks who need a helping hand in the short run, which is what this country has been about from the start it seems to me. In hard times we help people. We help them through because they are going to deliver later on. That's what the Food Stamp Program is fundamentally about. And it is not doing the job right now that it could be doing. And I think the Kennedy-Panetta Act would move it along.

Chairman LELAND. Thank you very much.

The gentleman from Missouri, Mr. Emerson.

Mr. EMERSON. I have just a comment or two.

Mr. Hightower, your comments on agriculture policy, crop insurance, research, marketing assistance—these are all matters that are under the jurisdiction of the Agriculture Committee on which I serve. These are all subjects on which we spend a great deal of time. This Select Committee on Hunger really doesn't deal with those subjects.

But one point you made, one comment you made, that we need to restore certain Federal food assistance programs to where they used to be or improve upon them, I would just comment that food stamps, for example, about which a great deal has been said, are a matter of entitlement. Anyone who meets the basic criterion qualifying to receive food stamps is going to get them. Indeed, the dollar amount going to food stamps has increased from $9,191 million in 1980 to $12,646 million in 1987.

A number of other programs that are in the food assistance category—I don't see any that have really been cut back. The School Lunch Program has gone from a $2,104 million program to $2,888 million; school breakfasts from $250 million to $454 million; the Summer Food Program for Children, from $89 million to $128 million; the Child Care Food Assistance Program, from $214 million to $537 million. WIC has gone—and you particularly mentioned WIC—has gone from $736 million to $1,663 million. Our elderly feeding program has gone from $72 million to $137 million, and under commodity donations to needy families, $34 million to $56 million; charitable institutions $70 million to $234 million. These are all 1980 to 1987 comparisons. Special food distribution didn't

exist in 1980. In 1987 we made $1,001 million worth of donations under the Special Food Distribution Program.

In total we have gone from roughly $14 billion worth of food assistance in 1980 to roughly $21 billion of food assistance in 1987. I do not mean by putting these comments in the record to suggest that is necessarily enough, but certainly the suggestion that the programs have been cut back or curtailed is not true.

Mr. HIGHTOWER. Mr. Emerson, those are—I appreciate those numbers, and those are grand and global numbers. The problem is that in Tioga, TX, that is not necessarily true. We have had a slight increase in the number of families in Texas receiving food stamps—about 100,000 over the last—let's see—yes, over the last year or so. But we have had a dramatic decline in the number of those who are eligible to receive food stamps to be actually receiving them. Forty-two percent of eligible Texans were receiving food stamps 3 years ago, and barely 30 percent of those who are eligible today are receiving them.

I'm not saying it's a matter of money, that we just go throw money at it. I'm saying there is something wrong with the distribution system here. It is often true, as you say, there are programs that are there. And maybe it is because they don't want to take advantage of them, but I think based on our hotline experience, on my direct contact with farmers, that is not necessarily the case. They are not always aware of it.

It's not only the case of food stamps. You've got that limited resource funding program under Farmers Home Administration, for example. That is another Federal program that was sitting there to have a good interest rate for farmers, but no farmer knew about it because the administration of the program in Texas was not telling people about it. He said, Well, nobody has come in the door. Well, have you sent out a brochure? No, we haven't. So, we did that in the Department of Agriculture. We mailed to all 16,000 Farmers Home borrowers saying here's a program that is available to you. So, sometimes just because a program has been funded by Congress and established and funded by Congress and is available, doesn't mean that it is getting to the people who need it.

Mr. EMERSON. These programs, most of those you mentioned, certainly the Food Stamp Program, are under the jurisdiction of the Nutrition Subcommittee of the House Agriculture Committee.

Mr. HIGHTOWER. Yes.

Mr. EMERSON. Chairman Panetta and I do spend a great deal of time always trying to improve on the operation of the Food Stamp Program. And I think perhaps this committee, the Select Committee on Hunger, should refer your comments to the Nutrition Subcommittee of the House Agriculture Committee because this is not a matter that is neglected. It is something that we are working on constantly and trying to improve.

Mr. HIGHTOWER. I appreciate that. And we would be delighted to work directly with you on our experiences.

Chairman LELAND. I think that is a great idea, by the way.

Mr. HIGHTOWER. Sounds good to me.

Chairman LELAND. The gentlelady from South Carolina.

Mrs. PATTERSON. Thank you, Mr. Chairman. I would like to thank Commissioner Hightower and Mr. Williams for being with us.

I was chairman of South Carolina's Task Force on Hunger, and we completed our study last year right before I was elected to Congress. I think many of the statistics we got out of our study are very similar to what you've found in Texas. We found that we have cycled around to where we were in the 1960's. We made great strides, but now we are back to where we were in the 1960's.

We found in our study in South Carolina that many of those people who were listed as being hungry were in rural areas and were having great difficulty. As you expressed, many of our farm families are very proud. And they do not want to seek assistance. We found that they had difficulty with transportation, getting to food stamp offices to apply. And when it was a great distance to travel to apply for food stamps, it wasn't worth the effort. So, we found some of the problems that you have expressed here. And we found hunger among our senior citizens.

I think that we could share notes on many problems that exist in our States. And I appreciate your concern. I hope that this committee can address some of the problems that relate to the hunger of our very young and of our elderly and especially as they affect our farm families. I just would like to thank both of you for being with us.

Mr. HIGHTOWER. Thank you, Mrs. Patterson.

Mr. WILLIAMS. Thank you.

Chairman LELAND. The gentleman from Mississippi, the first black to serve on the Agriculture Committee.

Mr. ESPY. Thank you, Mr. Chairman.

To Mr. Hightower and Mr. Williams, I appreciate your appearing today to talk about general problems in agriculture.

I am all too familiar with problems facing American farmers. My district is the second district of Mississippi—within the program crops of my district, there is cotton, and rice, then the nonprograms crops which includes an emerging catfish crop. This is slightly off the subject, Mr. Chairman, but if you will, I am interested in the development of your specialty crops. You mentioned blueberries, herbs, Christmas trees, and so forth. How much help did you get from the Federal Government? Or did you seek help from USDA in market research, in capital formation and/or in notification of your specialty crops?

Mr. HIGHTOWER. Initially we sought no help from the Federal Government both because we didn't feel it was going to be there, and what we could get wasn't going to be worth the sort of political battle necessary to get a little trickle in it, and second, because we felt what needed to be done we could probably do. So, we went direct.

As I say, our basic strategy was not just to go to farmers and farms and say what could we produce here. Rather, it was to go to the market first. We did market assessments, and then we did specific market development going to Kroger's, going to restaurants, going to Safeway and whatever, local chains, et cetera, and basically somewhat shaming them into buying more Texas commodities. Texans are chauvinists, which I guess is redundant. [Laughter.]

But a Texan will buy a Texas product if it is there over a Mississippi product, let me say, as a matter of pride. And so, we have played on that. And we developed a Taste of Texas Program, a labeling logo program to help the consumer be able to know what they are getting. We are able to work with the supermarkets on this because we were able to show that they got a increase in sales as a result, not just that instead of selling Arkansas blueberries they could sell Texas blueberries and be good citizens, but by advertising Texas blueberries, they were going to have a 20, 30 percent increase in their sale of blueberries as a result of it. So, they enjoyed the bottom line results of this.

And then back that down to the farms themselves to encourage and foster their production. It is one of those chicken and egg deals. You have got to have a market, but then you have got to have a supply. And then is your supply enough to warrant the market? And you are constantly in that struggle. But it does seem to work.

We are running up against some problems now, as I have indicated, in terms of crop insurance, research availability. For example, Mr. Leland, there are 150,000 or so Asian Americans now living in your city of Houston. Houston, not just because of that, but because of food trends is a major consumer now of oriental vegetables. About better than $5 million is spent in the Houston markets buying oriental vegetables. Those are coming from Hawaii, the Orient, California, but not from Texas when here we have got Asian farmers, et cetera, right there who could be in the business of producing that. And the restaurants want to buy. Safeway has said in that district they want to buy all their oriental vegetables from Texas producers.

We are having problems though because the extension service doesn't have an oriental vegetable specialty. They are willing to work with us. They are not rejecting this, but those are the kind of problems we've got. We need as an extension service and as a research agencies out of the land grant college system—it seems to me a focus on this, that they need to begin as a system to address this potential for diversification, the economic potential, and to get the kind of specialties that are needed to do it.

Another example is the pinto bean production that we are in now in the panhandle, a staple of the diet of Texans, yet almost no pinto beans were being produced in our State. And we worked with a guy—he was a very big farmer, 7,000 acres—he was so big he was voting Republican up there—on the high plains of Texas and worked with him because he was losing money on all of his acreage to get him into pinto beans. And he was our pioneer. And he planted 400 acres of pinto beans, and we sold every one of them. He made $200 an acre profit, and I'm sure voted Democrat as a result. [Laughter.]

But the significance is not the politics, but that now we have 17 pinto bean producers in that county. We have the market saying they will buy every pinto bean that can be produced in that area. But we need expertise from the land grant colleges because they don't have it——

Mr. ESPY. Mr. Commissioner——

Mr. HIGHTOWER [continuing]. To come up there and work with them.

Mr. ESPY. I appreciate that, however, I'm interested in the Federal role in the development of specialty crops. Now, you mentioned that you didn't seek Federal help at first. Is that to say that you are seeking it now?

Mr. HIGHTOWER. Well, I'm proposing here two or three steps that the Federal Government can take that they have not taken that does encourage this diversification and the building of these food processing facilities at a local level, including production financing through Farmers Home Administration, including the Crop Insurance Program, including some new financing mechanisms that could be devised, including this emphasis because it is a Federal role in land grant colleges on the research. You do have a Federal relationship there, and including the use of the existing program, a Federal-State market improvement program, that could be I think more aggressively applied to encourage this.

Mr. ESPY. Thank you. I appreciate it, Mr. Chairman.

Chairman LELAND. Thank you for your questions.

Mr. Commissioner, just a very short note, if you can respond, on the special program that you have going—well, that was initiated in Texas as it relates to hunger in Africa.

Mr. HIGHTOWER. This was a unique and truly wonderful result of an initiative of tying the farm community and linking two problems together really, surplus crops in our elevators and warehouses and the hunger in the world. So, we launched a program that would allow people to make tax deductible contributions to buy wheat, grain sorghum, et cetera, direct from Government surplus—and we did get Commodity Credit Corporation's cooperation on this—that would then be delivered through an organization called Save the Children directly to two villages in Ethiopia.

The advantage of this program was that we could assure contributors that every dime of their money was going to be spent on food. There was going to be no overhead. We were doing it, and Save the Children was doing the overhead. Second, that what they bought was, in fact, going to be delivered directly into the villages. We did that. We raised $1 million to purchase that food, sent several plane loads and shiploads, ended up buying some trucks also in that process. Not only do we know that the food got to the villages, but we had a crew videotape it in the process so we could go back to the people of Texas who contributed the money and say. Look here, it works.

So, it was a very successful program involving very little in the way of overhead and delivering goods where they needed to be delivered.

Chairman LELAND. Are you looking at doing this any place else?

Mr. HIGHTOWER. We're looking at some continuation of that program in terms of world hunger, but now we are working with food banks and the hunger community in Texas to see what we can do domestically. We call this Project Tejas, Tejas being the Indian word meaning friendship from which the State of Texas derived its name. So, we are working now to develop a program for domestic hunger need through this Project Tejas.

Chairman LELAND. Thank you very much.

Mr. Williams, thank you so much for coming here. Your testimony was very illuminating about the problems that you are confronted with. And of course, I think that you are exemplary of not only the black farmers of Texas but the family farmers of Texas in general.

Mr. WILLIAMS. Thank you very kindly, Mr. Leland.

Chairman LELAND. I appreciate both of you participating in today's hearing. Thank you so much.

Our second panel consists of two very distinguished and innovative individuals in the agricultural development arena, Mr. Bob Bergland, who we all know is currently the executive vice president and general manager of the National Rural Electric Cooperative Association [NRECA]. Prior to joining NRECA, Mr. Bergland served three full terms in the U.S. House of Representatives. Following his fourth election, he was appointed by President Carter to the post of Secretary of the Department of Agriculture. He was the only farmer named to this position since 1940. Secretary Bergland has been active in farm issues throughout his career. And the committee is honored that he would join us.

We are also pleased to have as a witness Mr. August or Gus Schumacher, Jr., who is currently serving his second term as commissioner of the Department of Food and Agriculture for the Commonwealth of Massachusetts. Commissioner Schumacher's association with agriculture is not a new one. His family has been in the farming business for four generations, and he served for 22 years as an agricultural development specialist for the World Bank. Most recently his energies have been focused on developing a new food policy for the Commonwealth of Massachusetts, which would serve the duel purpose of supplying farmers with a new market and supplying low income persons with improved access to nutritious produce.

Gentlemen, we welcome you. Mr. Secretary, I'm aware of your tight schedule, and I hope that you have some little time to spend with us. I realize that the preceding panel was a little bit long, but we are pleased to have you here with us for as long as you can stay.

STATEMENT OF ROBERT BERGLAND, EXECUTIVE VICE PRESIDENT, NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. BERGLAND. Thank you very much, Mr. Chairman and members of the committee. This is important business, and I am prepared to spend as much time here as is necessary to discuss this very timely subject.

I have an excellent 7-page statement I would like to insert in the record and not read it.

Chairman LELAND. Without objection, your full statement will be included in the record.

Mr. BERGLAND. Thank you very much, Mr. Chairman.

I am the general manager of a national association of 1,000 consumer owned rural electric cooperatives in 46 States. We serve about 25 million people. We are deeply involved in all forms of economic development. We are concerned with the social problems of

the rural landscape, and we are dedicated to try to do something about them.

Unfortunately, the rural places carry a disproportionately high percentage of poverty, unemployment, and substandard housing. The problem is that it is out of sight. It is not concentrated in a city ghetto which attracts attention. It does not lend itself to public marches and demonstrations. These very poor people are out of sight of the highway and do not live in large congregations, therefore, don't lend themselves to becoming as well organized as in city places. But it is there. And these folks suffer in silence.

It needs to be noticed. And I commend this committee for developing attention to these problems associated with rural poverty which is serious and getting worse.

Mr. Chairman, I would like to define the problem and sort of narrow it, if I may, and I am about to use some numbers which were gathered by the Department of Agriculture and updated from time to time. The numbers I'm about to cite are from the latest data available, 1985.

There are about 2.3 million farms in the United States as defined by the Bureau of Census. Of that number 27,000 of the largest farms in 1985 had a net income per farm of $640,000; 1.2 percent of the total numbers of farms in the country accounting for 55 percent of the net farm income. Those farms are generally involved in the production of perishables. They tend to employ large numbers of persons who do not reside on the farm, commonly called migrants. And there are special problems associated with that kind of agriculture that are unique and different.

At the other end of the size spectrum, there are 1.6 million farms, or 70 percent of the total, that had in the year 1985 a net loss of $2,790 per farm, but because of rural jobs, they enjoyed an income averaging $20,000 per household. So, we have a very large number of people who consider themselves farming, but in reality are rural residents with a part-time farm and a full-time job.

And they have the best of both worlds. We have surveyed those people, because they are members of our organization, to find out if they enjoy their life. And I can tell you, Mr. Chairman and members of the committee, they enjoy it very much. As long as that job lasts, they are in great shape. They have a rural home with the advantages of rural living, and the security of a full-time job and the salary produced from that. It is, we think, the best of both worlds.

An important thing to remember here is that these people do not really benefit from Federal farm programs. They do not receive much in the way of direct subsidies. Their farming is small scale. We would like for them to be more labor intensive. We would like for them to have more income from that farm, and my good friend, the commissioner, is going to speak to some things they've done in Massachusetts, very exciting, innovative new approaches.

But the reality is that the farm programs again pass these folks by. While they may have an interest in a housing loan, their main interest goes to things that deal with jobs and industrial and commercial development which I want to speak to in a moment.

In between there are about 600,000 farms that do not have the deep pockets of the small group of large operators, and can't with-

stand the pressures of market distress. And they are too large to really take up full-time jobs on the side because the farm requires full-time attention. It is in that group that we are seeing some very serious economic stress. Of that 600,000 about one-third have no debt. They are people like me who have been at it a long time. My wife and I farm in Minnesota. We've been at it for—it will be 37 years tomorrow. And we are virtually free of debt. About one-third of the commercial farms in the country, aside from these very large ones, are in our situation.

About one-third have a debt of some consequence and they are in some trouble. That does leave 200,000 families that are in serious trouble. Their debt burdens are heavy. Unless something is done to either reduce their debt burdens or substantially increase their income, most of those people won't make it. They tend to be young people. They tend to be people with families supporting the community in the finest sense of the word. And unless there is some special kind of assistance provided, my prediction is that most of those people will be forced from the community.

The farming itself can be divided into two groups. One are the perishables, those products which are grown and sold mostly within the borders of the United States. Some of it is exported, but for the most part the perishable production in our country is consumed at home.

And for the most part the programs tend to work fairly well. I'm talking in terms of dealing with perishable production and marketing. The problem in most cases—and I'm sure Mr. Schumacher is going to get into this—with this perishable production is quality control and marketing. They must be competitive in a modern market environment, which is necessary but hard to do because they are not trained in some of these sophisticated techniques. There are things that the extension service is doing to help meet those requirements.

The problem in the farming side is largely associated with grains and other crops which are sold overseas. Starting in—oh, really in the 1960's we started to ship larger and larger amounts of grains overseas, paid for in cash. In 1980, the last year I was at the Department of Agriculture, we had the largest export year ever. That was the year of the Russian grain embargo. We embargoed the grain sales to the Soviet Union, and exports took off. They increased 16 million tons in 1 year, which is an interesting phenomenon.

But the truth is that the whole world is increasing its capacity to produce grains. Poor countries have improved their own internal capacity. They are applying fertilizers and developing irrigation schemes. They are using better seeds. Many international organizations, including American, private enterprises are showing these people how to produce more. There are irrigation manufacturers in Nebraska doing very well selling irrigation pumps in poor parts of India.

And so it is not just the World Bank, it is also American private enterprise that goes into those countries to help them improve their own productivity, and that is very proper. I have no criticism of this.

The results, however, are simply phenomenal. Poor countries like India have become almost self-sufficient in grains. China has doubled its yield in 9 years. You could go down the list. These poor countries of the world are improving their own internal capacity to grow grain. And they are driven to it because they don't have the money to buy. It is not that they lack the need for grain. It is simply they lack the wherewithal. They have no credit capacity to pay, and so they are forced to increase their own internal production.

That means that the U.S. markets for grains and cereals are diminished. Unless the committee wants, I don't plan to get into a discussion on export market development. But I will state this as a statement of fact, the growth in U.S. grain markets overseas is going to come very slowly, and not soon enough to save a number of these farms that are depending on that marketplace.

And so, we have a problem with two groups. One are the younger, middle size commercial enterprises, highly motivated, well-trained, good producers, absolutely among the most efficient we have. I hear this hogwash about them being inefficient. That is just not true. They are efficient. The problem is they have a debt structure that is sinking them. And so, the debt question needs to be negotiated separately, and I think Government has a role to play in that regard.

On the other side of the economic ledger, I want to speak to the issue of jobs. We in the Rural Electric Program have dedicated a lot of time and we are spending more money looking at how we create more jobs in rural places. We need diversification. Mr. Chairman, we have 970 consumer owned distribution electric utilities in the country, and 200 of these are showing heavy signs of wear and tear: population declines, kilowatt hour sales declining, the communities are kind of falling apart at the seams. And the rough ratio is that the better the land, the worse the problem. In the very choicest land of the United States, we have the most problem with maintaining a population. In the poorer lands the economy was more diversified in the beginning, and they could withstand the shock of a poor price for a crop. But in those areas where they are dependent on cotton or corn or soybeans or rice, for example, it is a mess.

Underscoring the need for diversification, we need more jobs in rural places. And this is the thing that we are dedicated to. Our experience has shown that jobs in rural places don't come in big chunks. They come in two jobs here and three jobs there. We are working with small and medium size business, building on indigenous industry, improving on indigenous resources. And it can be done. I know communities get very excited when General Motors might site a Saturn plant. All that is more interesting, than important. What is more important is that we pay much more attention to small, rural business enterprises that have something they can make or do that can sustain itself in a competitive market environment, but are running into problems.

The problems generally are twofold. One is credit. Rural places don't have big banks and don't have access to big banks. All this new branch and interstate banking phenomena we see goes one

way. These rural savings leave the community and go on into the cities. It doesn't come back into the country.

And two is marketing. We are looking at things which are happening in Massachusetts, in Michigan, in Georgia, in Arkansas, for example, other places too. Michigan has created an industrial extension service where we are able to plug into the resources of the university to help these rural business enterprises with marketing techniques, with financial matters, with accounting, with business practices that they can't get from the ordinary agriculture extension system serving the community.

We believe that there is a great role for Government in these matters, but the Government programs need to be changed. They are much too rigid. The Government support for rural development has evolved over the years in a categorical fashion. So, there's a narrow program for one function. There's another program for another function. In fact, there are about 40 of these Federal programs. There is no real coordination at any level.

I tried my best when I was the Department of Agriculture Secretary during Carter's time to coordinate activities among the Farmers Home Administration, Soil Conservation Service, and other agencies. I did it by setting up a coordinating committee, and it was a total waste of time.

The only way there is going to be coordination is to transfer the money and the authority, put it into a single place with a single set of purposes and objectives. I know that is not for this committee today, but I want the members to know that we are working on it. We will cooperate with you either as a committee or as individual members.

Second, we need to vest a great deal more authority in local government, private, and public leadership in the business of developing the economy of that community. Again, the Federal programs are too rigid, too narrow, too restrictive. We need to grant more authority to these local—some kind of multicounty planning unit. We don't need more of these districts. We need fewer of them. We have soil conservation districts. We have resource conservation and development districts with different boundaries. We have housing districts with different boundaries. We have health planning districts, different boundaries. There are about 10 or more of these. Different boundaries, different authorities, each one has a narrow purpose and function, and each one is important. But it is impossible to do an adequate job of really intelligent planning as long as we have things in such a narrow categorical pattern.

And so, we are studying this matter. We are going to spend a year or more yet. We'll come back to the Congress with some very concrete, explicit recommendations on how we would change the Federal role in all this. I am not one who believes that we can do this operation bootstrap. It doesn't work that way. If we are going to depend on a poor, local, rural community to improve its own economy from its own resources, it is a dead duck. We have got to transfer support to that community or it is never going to be able to achieve the levels to which they aspire and we would all recommend.

Mr. Chairman, that concludes my brief statement. And I would be glad to stay for questions.

[The prepared statement of Mr. Bergland appears at the conclusion of the hearing, see p. 80.]

Mr. PANETTA [presiding]. Thank you very much, Bob. It is nice to see you and nice to have you before the committee.

Mr. Schumacher.

[The prepared statement of Mr. Panetta appears at the conclusion of the hearing, see p. 59.]

STATEMENT OF AUGUST SCHUMACHER, JR., COMMISSIONER, MASSACHUSETTS DEPARTMENT OF FOOD AND AGRICULTURE

Mr. SCHUMACHER. Mr. Chairman, thank you very much.

This is my first testimony since I have been commissioner before the Congress, and I'm very delighted to be here.

I am particularly delighted because, as Secretary Bergland mentioned, the States are trying to be much more aggressive in the State departments of agriculture on dealing with a number of the problems, not only in general, but very specific regarding the purpose of the committee hearing today. Jim Hightower has mentioned some very innovative things that he is doing. My colleague in Mississippi, Jim Buckross, is doing some terrific work in catfish. We import 85 percent of the food in Massachusetts, so I encourage California and Missouri and my good friends in South Carolina and Mississippi to send more of the good quality food to Massachusetts. We would like to eat American. We import rather too much food in Massachusetts. We would like to do something about that.

I'm going to be very specific today. We have four things we are trying to do in Massachusetts to address the linkage between our smaller farmers, as Mr. Bergland said, and provide more income to our small farmers and to our lower income and vulnerable nutritionally elderly people in Massachusetts.

I support Jim Hightower. He stunned me with his figure that in Texas 28 percent of the best farmers in Texas are no longer farming—the family farmers. We are trying to do something about that in Massachusetts. I feel we need more farmers in Massachusetts and not less. In the last 10 years Governor Dukakis—and I would certainly give him credit because before I came in, he started the program of getting more farmers into Massachusetts, not less. We have 1,000 more farmers in 1986 than we had 10 years ago. And we need those farmers because we need them for providing more food to our inner cities.

We have four approaches. What I am trying to do is to target more of our farmers' markets into the inner city and particularly the inner city vulnerable. In 1978 we had six farmers' markets. This year we will have 60. Most of those are targeted in the inner cities.

We need to create purchasing power for those inner city elderly and inner city low-income mothers. So, with the help of our legislature—and we have an outstanding legislature in Massachusetts. They have been very supportive of these programs, and we hope to get additional funding so that we can provide something we call the Massachusetts farmers' market coupon. We give $10 of these coupons to 10,000 inner city mothers. We hope to do that this year. And they have to give it personally to a small farmer in a farmers'

market. That is very important for us that the lower-income mothers and the vulnerable elderly get these coupons. They are free. We exchange them for cash. We give the farmers checks when they cash them in. It is not a food stamp. It's a promotional program to help small farmers market in the inner cities to deal with vulnerable elderly and nutritionally vulnerable mothers.

Third, as Jim Hightower also said, our farmers donate the food at the end of the farmers' markets to the inner city food banks. That is a very important program. We encourage that.

And fourth, we are expanding our community garden. We give out free seeds and free fruit trees to inner city people through our department on surplus land to plant fruits and vegetables.

I also want to talk—I can expand on those in any questions. We'll talk particularly about the coupon in a minute. I'm going to be very brief this morning.

Why do we need more farmers though? Our mayors in our cities are so keen on these programs that we probably need 200 or 300 more farmers this year for these programs. We need the food. We market $3 to $4 million of food through these markets. About 500 farmers participate. And I would like to see if the Federal Government could give us a little more hand.

Our legislature—and the budget is now in conference today. I'll be going back to talk to our legislature about this program this afternoon. But we have modest amounts of money. Particularly in more vulnerable States, South Carolina, my good friend in Louisiana and Texas—they are in great budget deficits. If somehow the Federal Government could provide $10 million in the Federal-State Market Improvement Program, that program is for a partnership between the Federal Government and the State government to promote innovative programs that Commissioner Hightower has talked about, that Secretary Bergland has talked about, and many other of our commissioners. We need that money. We need that money to do innovative, linkage programs, the kind before your committee this morning, where we link small farmers into inner cities and create industrial jobs and so forth.

We have a little application pending right now. We have not heard from the administration whether they are going to provide us. We only have $8,000. We have asked for very, very tiny amounts of money. But we can't seem to get that program properly expanded. And we think that program, Mr. Chairman, is a logical one to help us at the States because we have gotten modest amounts in that program over the years to do marketing, to do innovative marketing. We are doing work on environment, and we are going to do more work in this area.

I would like to see 100 farmers' markets, 1,000 farmers selling in those markets, and to have a $10 million program in the next few years to target the nearly 70,000 WIC mothers and 100,000 food stamp recipients to buy local.

And why is that so important? We are importing so much food that some of our food stamps I suspect are going to help the farmers overseas, in the Common Market that heavily subsidizes their food. I would like to see our programs targeted and our Food Stamp Programs and WIC Program. If we can do this at the State level, we can target these programs to help our farmers in our

States. And that is what I would like to really focus on in our State. We are doing that. We are going to do more of it. We would like to see a little bit more support from the Federal Government to help us in those programs.

I would like to conclude because I think I am trying to keep our comments brief and take any questions you have. But this year we are going to try and provide 10,000—to summarize—10,000 mothers, low income, with these coupons, $10 each and provide inner city elderly in a pilot program. Our farmers are very much behind this. The Farm Bureau in our State passed a resolution asking the Governor and the legislature to increase this program. This has wide bipartisan support in our State. The Governor is supporting it. The legislature—hopefully, one house supported it. The senate supported it. Hopefully the house will do so in the next 2 days. And if we can move this along, we think this will help some 10,000 mothers and some 200 small farmers to increase their incomes and provide nutrition, to link these two groups, the lower-income farmers and the very low-income inner city mothers. We are going to try and put those together and have them buy local.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Schumacher appears at the conclusion of the hearing, see p. 88.]

Mr. PANETTA. Thanks very much, Mr. Schumacher.

Could you explain the coupon program? I would be interested in that.

Mr. SCHUMACHER. What we do is we print these up. I think you have them before you in your packet.

Last year we tried it in four farmers' markets. What we do is we don't use any new bureaucrats. This is not a program for the bureaucrats. It's a program for the inner city mothers and the small farmers. We use the EFN people, the expanded food and nutritions people. They go in and put a little card table up in the WIC distribution centers. So, when the mothers come in to pick up their regular vouchers, the EFN people hand them a package of 10 of these—we are going to try and double that to 20—and indicate to them they can take those to one of—and it's put on the back of them where they can take them to a farmers' market in Roslindale, or a farmers' market in Quincy, or a farmers' market in Worcester, or a farmers' market in Holyoke.

The markets are targeted to the lowest income areas of our State. And then we put them into the WIC centers. The EFN people then talk to the mothers, also in Spanish. Jim Hightower said we have a large Spanish community, so we print these also in Spanish on the back so they know where to go.

They then take them to the farmers at the farmers' market and exchange them for fresh fruits and vegetables. But they must personally hand it to a farmer. They can't take it to a supermarket or Christie's or a 7-11. They must take it to a farmer. That evening the market master then collects them all, either pays cash or gives them a receipt, and then gives them a check the next week or writes them a check on the spot.

So, as far as our farmers are concerned, this red coupon is equivalent to a green dollar. And we have had farmers getting as much as $300 in a day. It has created an increase of 25 percent in the

sales of those farmers at the markets. The people are bringing in their food stamps and because the produce is so good and fairly priced, 30 percent below the supermarkets, they are spending their own money as well. So, we have had probably an increase of another 50 percent over and above the value of the coupons to carry this out. And we are very pleased with the program, sir.

Mr. PANETTA. So, you basically operate that through the WIC Program. People who qualify for WIC would receive those additional coupons.

Mr. SCHUMACHER. That is right. You see the WIC Program—it's my understanding, and you would know better than I—does not allow fresh fruits and vegetables. This is very important for pregnant mothers to have a balanced diet. And this is one way we thought we could very efficiently get local fresh fruits and vegetables. And we have some terrific tomatoes in Massachusetts. We have got some good ones up there in Minnesota, but we have some very, very high quality fresh fruits and vegetables in Massachusetts. We want to get those into the inner city. We're using the WIC Program to do that.

Mr. PANETTA. The only place they can cash these in then is at a farmers' market where they get fruits or vegetables.

Mr. SCHUMACHER. That is the only place. They must personally give them to a farmer at a farmers' market.

Mr. PANETTA. I see. You are talking about going from 6 to 60?

Mr. SCHUMACHER. In 1978 we had six farmers' markets. This year we will have 60 markets. We have nearly 500 farmers selling in those markets. I have targeted by 1990, 100 farmers' markets, and hopefully we can get 1,000 farmers selling in those. But this is very important because this creates the purchasing power in the inner city to buy the fresh fruits and vegetables to get those farmers to come in.

Mr. PANETTA. Where are the bulk of those 60 farmers' markets? Are they in urban areas or rural areas?

Mr. SCHUMACHER. About two-thirds are in urban areas, and one-third are in rural areas. We have worked very closely with many of your people in California in Modesto and Stockton.

Mr. PANETTA. Right.

Mr. SCHUMACHER. And Sacramento. You are doing—some of your people are doing a fine job in California in exploring this.

Mr. PANETTA. Let me ask you a general question about the agricultural economy in Massachusetts. Has it endured the same kind of impact, economic impact that, let's say, we have had in the midwest and other areas? Have you farmers suffered those same consequences?

Mr. SCHUMACHER. We have been fortunate. We have a large market locally. We have had a good economy. We have also had three or four State policies.

I think the thing that is very important that Commissioner Hightower pointed out is the States aren't sitting back and waiting for the Federal Government and the administration to get its act together. We put over $200 million of State funds, mostly loan money, into food processing. We have some terrific cranberry juice in Massachusetts. Some of that comes from help from the State government. We have created 4,000 jobs in food processing and 47

new companies. We have been very aggressive on the marketing. This is only one of a number of marketing programs we can talk about at some other time maybe before another committee.

We are very aggressive in nutrition, in composting, getting leaves out of landfills, and getting them onto farmers' fields and compost, and getting integrated pest management, getting costs of farming down.

And then agri-finance. We have even got money from Holland coming in through our State government to reinvest and re-invigorate our food processing. If Congressman Espy were still here, we are very aggressive in the kind of things he is interested in in aquaculture production. We are trying to diversify.

So, we have had an increase of about 1,000 farmers. We have had a substantial increase in gross revenue. But it has been pretty aggressive State policies that has helped us do this.

Mr. PANETTA. Have you had an increase or a decrease in rural poor vis-a-vis urban?

Mr. SCHUMACHER. It's unclear. We have about 5.8 million people. As Secretary Bergland has mentioned, we have got a booming job market in Massachusetts. We are down to much less than 4 percent unemployment. We are very, very short of labor. Most small farmers who are not full time get quite good paying jobs in Massachusetts.

My nephew, for example, my brother told me is not going to work on his farm or his contracting business this summer. He is going down and wash dishes in Chatham, 14 years old at $7 an hour. He said to my brother, "Dad, you're terrific. But your wages aren't quite as good as I get in Chatham."

Mr. PANETTA. Let me ask you, Bob Bergland, about your experience in going back into the rural areas. Have the farmers there resorted to food stamps? Is that a program that is effective in providing assistance to farmers? I mean, what are you seeing out there, Bob, right now?

Mr. BERGLAND. My evidence is all anecdotal, Mr. Chairman. I am not equipped with the numbers, but I recall from my days at USDA the problem mainly was rural persons and perhaps city people too, were reluctant to apply for charity as they call it. We have a huge problem in rural places especially. Many rural poor have no automobile, have very poor communication systems, are not reached by the social workers, are just simply outside the network. And those persons have to be contacted one-on-one. At USDA we set up a program to deal on this outreach question through church people. That helped.

I don't know what the situation is as regards the farming families because the problems of poverty are so unevenly distributed as I mentioned prior to your coming in. We have 27,000 farms that had a net income per farm of over half a million each last year. And then we have 200,000 mid-size farms that are in terrible shape financially and going to lose out.

Many of these I know would be eligible for food stamps, but they are too proud to apply. They regard this as a sign of failure. There are immense social and psychological problems associated with failure. And many of these folks are going through that. I am told by doctors and other counselors that it is a huge problem. Suicides

and alcoholism, other terrible things associated with what they regard as failure are taking its toll, particularly among these young people who had dreams and aspirations all dashed.

Mr. PANETTA. Bill Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

Mr. Bergland, you stated that the first thing we have to do is to make policy decisions that put the local community at the top of the program and not the bottom. You go on to state that the reason the Rural Electrification Program has worked so well and been so successful is that while it is ostensibly a Federal program, it is essentially a local program. The Rural Electric Program is locally implemented. Rural electric cooperatives are locally controlled and locally operated. They are specifically responsive to their communities' needs, and they have flexibility to change when they must.

I agree with that statement profusely. Rather than ask you to comment further at this time, I would like to ask you really to work with Chairman Panetta and me in maybe spelling out how we might make this idea applicable to food assistance programs because I agree with you that the wherewithal to make things happen is really at the local level and not in some bureaucratic back room here in Washington. This is a problem we are always struggling with.

You know, we have talked about the idea of block grants for food stamps. There is a general wall against that. There is concern that it couldn't work, and that there wouldn't be enough benefits to go around. But I would personally like to invite you to share some ideas as to how this really might be implemented. Your ideas—and the REA has worked so very well—on how we might really implement those ideas as they relate to food assistance programs will be welcomed.

Mr. BERGLAND. Well, Mr. Emerson, I am in favor of cashing out the Food Stamp Program. But that is a very controversial subject and there are political implications.

But the truth of the matter is that we treat the public differently based on their level of income. We have in this small group of 27,000 very big farms heavy dependence on Government subsidy and support. Most of the Government payments go to those relatively small number of very big farms. They accept that help because it is in the form of a Government check. The poor people we support with scrip like food stamps. We treat rich people differently than we do poor people. And I think that has got to stop.

I was at a meeting recently with a mayor of a small town in Tennessee, and they had a candy factory doing very well. The candy factory wanted to expand its production, needed improvements in the local sewage system. The town was in bad shape financially. It was unable to come up with a bonding. So, they applied for Federal money, State and Federal aid, for improvements to the sewage system, were told that, No, we're out of money for sanitary sewer improvements, but we've got storm sewer money. How would you like that?

This is the problem we've encountered time after time with these very narrow, well-intentioned categorical programs that are funded for a specific purpose and don't give the community latitude in deciding which is more important. That has got to stop. I am in favor

of a general purpose development corporation the government of which is driven by local, public, and private enterprise that decides on the priorities of that community, and that the Federal programs are governed accordingly. I am in favor of turning these Federal programs on their head and putting them back together to deal with the problems of our time.

The usual political response is Democrats tend to want to write a bigger check, and some Republicans want to kill it off. I am oversimplifying it, but that is essentially the way the battle lines are drawn. And I think that has got to end. We need to find a more practical, middle-ground approach, and we have got to focus on the delivery system because it simply is breaking down.

Mr. EMERSON. Well, I couldn't agree with you more. As a matter of fact, you have just made a very strong case for revenue sharing. I want you to know that my county commissions and mayors would agree with you. Let's do away with the categorical stuff and reinstate revenue sharing which most of my city administrators and county administrators think is one of the most efficient Federal programs ever devised because it simply sent the money to the local communities and let them determine what their own priorities were. It didn't take a big bureaucracy here in Washington to sustain that operation.

Mr. BERGLAND. I think, Mr. Emerson, that the problem needs to be addressed on a larger than a simple town basis——

Mr. EMERSON. Yes.

Mr. BERGLAND [continuing]. Because there is a good deal of rivalry among towns.

Mr. EMERSON. That's true.

Mr. BERGLAND. My town has been in a do or die, hand-to-hand combat fight with the town 20 miles away over high school football honors for as long as I can remember. And it penetrates into the fabric of the community. There is no way that the Chamber of Commerce in my town is going to collaborate with the town 20 miles away unless forced to. The Government has got to referee this stupid fight. And so, I think it has to be dealt with on a broader than a single community basis.

I am like you. I think revenue sharing has taught us some lessons. There is virtue in allowing this flexibility at the local end, and it needs to be examined in that context.

Mr. EMERSON. Here on the Hunger Committee we have been trying for a couple of years to get some data on how it might work if we had consolidation and simplification of programs for individuals like food stamps and AFDC and housing assistance, and energy assistance. We have all these programs, but the criteria for qualifying for each of them are different. And you know, we lay it on the people least able to cope with the bureaucracy to figure out where they need to go for housing assistance and food assistance and whatnot.

I have been trying to promote the idea of one-stop shopping, as it were, on the theory that if somebody needs food assistance, they probably need heating assistance and housing assistance and all that. But we don't seem to make any progress there. At least we don't have the data that we perhaps need to act. Maybe we can get it in connection with welfare reform. I don't know.

But would you comment on that? I mean, we have been talking about community programs, but what about programs for individuals?

Mr. BERGLAND. Yes, you are right, Mr. Emerson. These things are much too complicated. When I was at the Department, one of the first things I did was review the food stamp materials which were printed to be given to these people out in the community. And no offense intended, but they are written by lawyers and to be understood by lawyers.

I took them all back. They were using big words and small print. I said, I want it the other way around. I want short words and big print in Spanish and English, but plain English. Keep it simple. It made a difference. These things get so incredibly complicated. We are dealing with a population that—has problems with eyesight. They can't read because they can't see and for a lot of reasons, just won't go into a Government office, scared of them. They think they are policemen and they are going to do something awful to them. That is why we used churches and other outreach organizations. And so, the extent to which these matters can be simplified, and reduced to terms that everyone can understand, the better off we will all be.

The tendency during my time in Government was to set up some kind of a coordinating committee. That is mostly a waste of time. If they can't control the money, they have no power. And so, I am in favor of taking these Federal programs and putting them on their beams. Rewriting it and setting up a totally new agency. I mean, this is idealistic, and we may not get it done, but we're going to try.

And we are going to try to develop two programs. One would be grants for planning purposes, and the other would be financial support for construction and other improvements. Our notion is that we go beyond the community and deal in logical multicounty planning units dealing with jobs and development in the private sector.

Mr. EMERSON. Thank you very much.

Mr. PANETTA. Congresswoman Patterson.

Mrs. PATTERSON. I would like to thank both of you gentlemen for enlightening me on several things. And I would also like to follow up with Mr. Bergland about some things that you mentioned.

One problem we have in my area is the many, many different kinds of districts, lines that are not similar. As you mentioned, they are all overlapping.

But you also mentioned in your home area the rivalry within 20 miles. I experience that in my district. And when we try to get together and come up with a planning district for the three counties that I represent, we find that the very urban areas have one idea and the very rural have another. So, we don't seem to be able to come together on how we will help the people.

I would love to have the opportunity to talk with you at length because I think you could probably help me in my rural county. It is a very rural county. There are no major cities, no farms within it. There is no one who admits to being a farmer at this time. It has the highest unemployment in my district. And I am just wondering what we, in fact, could do to follow the model of REA, to get some involvement in that county—it is beautiful farmland, beautiful land within that county—how we could help—of all the statis-

tics we have in the State, infant mortality is the highest in that county—teenage pregnancy, school dropouts, illiteracy, all the things that go with poverty. And I would just love to share with you some ideas of how I could help that very rural county that has no farms.

Mr. BERGLAND. Mrs. Patterson, our notion is that that cooperative, that has its roots deep in the community and has a great stake in its future, can and must be a catalyst and a driving force to help pull these things together. From experience we have learned that the development comes based on local indigenous resources. We have got to take what we have and build on it.

The things that they are doing in Massachusetts that Mr. Schumacher has talked about, the prime example, a perfect example of what they have done. They have taken a resource, people; a resource, markets; and proximity, a resource, and made this mix work and created jobs for a demand that was in the community.

The important thing is that the complex carbohydrates which they are producing in these fruit and vegetable farms are going into a segment of the population that we tend to feed fat. I mean, we dispose of surplus commodities, and who do we give it to? Poor people. We give them cheese and butter and things that the public won't buy, and we give them to poor folks. This is a mistake. And here is a program that provides these people with the fiber and the complex carbohydrates that a body badly needs in order to develop normally and healthy.

Mr. Schumacher should come down and talk to you. He's the expert. We will help every way we can.

Mrs. PATTERSON. Well, I was very interested in Mr. Schumacher. Really your coupon program interests me, but let me ask you, where does the money come from that provides for these coupons? Out of your WIC Program, because it can't.

Mr. SCHUMACHER. No, no.

Mrs. PATTERSON. Where does it come from?

Mr. SCHUMACHER. We don't feel—I want to be very clear about this. We don't feel that we should come any—any money from WIC should be reallocated. I called up actually a foundation in Oregon last year and asked them—a supermarket heirs and asked them if they would lend us—give us a small grant. And they said they would do it. We allocate a little bit of money from our promotional account. This year the same foundation has doubled its money. I said I will double our double money. And now the legislature, which is very important—we have a very distinguished legislature. Senator Pat McGovern liked the program and she put in with Senator Barrett $68,000. If I could hold on the house side this afternoon, we will have a total of $100,000 which will help 10,000 mothers come to these markets. I just want to talk briefly—one question about Bob Bergland, the Secretary. First of all, I'm very honored, Mr. Chairman, to be allowed to participate with such distinguished company. Secretary Bergland has been a man that I have admired for many, many years. And Commissioner Hightower is a very distinguished commissioner, indeed.

Secretary Bergland and Commissioner Hightower talked about rural enterprise. And I think this is something that we need, probably not immediately at this committee, but I would certainly talk

to you and your distinguished commissioner, Les Tindel, about some of the issues of how do we foster jobs in rural areas, and how do we use food processing. I think that Secretary Bergland's REA and Commissioner Hightower and our own Governor—we have been pushing very hard at small food processing companies. We don't need to import all of this high value food from France or from Italy or from Greece, distinguished countries. We can grow it ourselves. And we can certainly process it ourselves. And we can do it locally.

Mrs. PATTERSON. I would like to meet with you and our Commissioner Tindel, because I think that is something that couldn't a coupon system work in our rural area of Union County—you speak mainly of it being effective in your urban areas. But I think in a rural area such as Union it would be very, very effective. So, I would love to have the opportunity to share with you both how I could best serve my area.

Again, my little State is not going to be able to come up with any money, I'm afraid unless we——

Mr. SCHUMACHER. Well, we could get help from the Federal-State Marketing Improvement Program. Mr. Panetta and others can talk to Congressman Whitton and my distinguished Congressman Conte who was helpful in these areas in the Appropriations Committee. He has been very helpful in keeping the Federal-State Marketing Improvement Program in the Federal budget. And we hope if we could expand it, we could use it for programs to foster innovative marketing, Bob, and innovative rural programs in these areas.

Mrs. PATTERSON. I have been working with our commissioner on some of the processing possibilities in South Carolina. In my area alone, supposedly in my home county, we produce more peaches for exporting outside of South Carolina than the whole State of Georgia. Yet, we do not have a processing plant for peach pies, peach preserves, or anything like that in the area. And we have Stouffer's which manufactures its goods right there in my district. And yet, they import all the food that they put into their dinners, and it seems to me there ought to be a way as you suggest—to use our local farmers. So, I would love to work with you.

Mr. SCHUMACHER. We, as I said, import 85 percent.

For example I saw, Chairman Panetta, in our supermarkets cranberry apple preserves from Belgium and cranberry rhubarb. That means we have to export our cranberries to Belgium. They get the value out of it. They ship it back to us. There is no reason why we can't do that in Massachusetts. We would love to do a cranberry peach conserve, if we could do a joint venture.

Mrs. PATTERSON. We've got good peaches and apples.

Thank you very much, and thank you for your——

Mr. BERGLAND. Mrs. Patterson, we will call your office and make an appointment. I would be delighted to come and see you.

I want to congratulate you for your attention on this business of these perishables and this small scale value-added agriculture. It is overlooked in most debates. Most agricultural debates focus on grains and big farms and big machinery and big debt and big bankruptcy and big-time agriculture. Real action is going to take place in small enterprises, two jobs here and three jobs there, going without notice. But that is where the real opportunities lie.

Mrs. PATTERSON. I really appreciate both of your testimony. Thank you.

Mr. PANETTA. Thank you very much.

Mr. Schumacher, you don't have to feel too humble in all of this company because, you know, all of us policymakers can make a hell of a speech, but it is the people on the front lines that serve people in need. And so, we depend on you too for the work that you do out there.

Thank you both. You both have added a great deal to the testimony that we have.

Mr. EMERSON. Mr. Chairman, may I ask that all members of the committee have permission to submit questions in writing to these witnesses and subsequent witnesses, the witnesses who testified before? I think these gentlemen have a great deal to offer here, and I know we are a little bit limited on time, but a number of questions come to mind that I think we may want to pursue with you. And if we could have that permission, I would appreciate it.

Mr. PANETTA. Without objection, it is so ordered.

Thank you both.

Mr. SCHUMACHER. Thank you, sir.

Mr. BERGLAND. Thank you.

Mr. PANETTA. The next panel. I am pleased to introduce Ms. Kathy Bicking of Legal Services Corporation of Iowa. During her 9 years as a paralegal with this organization, she has assisted family farmers in assessing nutrition and public assistance programs.

The second member of the panel is Mr. Richard Port, who is a farmer from Plymouth County in Iowa. He owns a 450-acre farm on which he grows corn, oats, and soybeans and has been involved in farming on a part- or full-time basis all of his life.

And also joining the panel is Dr. Gordon Harper, who is a member of the staff of the Children's Hospital, Judge Baker Children's Center in the Harvard University Medical School. As a member of the Physicians' Task Force on Hunger, Dr. Harper traveled throughout rural America assessing stress factors associated with both the ailing agricultural economy among farm families, as well as those that are impacted by that kind of economic downturn.

I want to thank all of you for coming before the committee. As normal policy, your statements will be placed into the record as you present them to us. And you can either read from them or summarize them as you wish. So, let's begin with Ms. Bicking.

Mrs. PATTERSON. Mr. Chairman, before they begin, I just want to apologize that I have to leave at this point, and I know how important your testimony is. I hope that I will be able to come back because I know you have been sitting there patiently waiting to testify. So, I will try to get back, Mr. Chairman. I do have an appointment at 11:45.

Mr. PANETTA. OK, you may proceed.

STATEMENT OF KATHY BICKING, PARALEGAL, LEGAL SERVICES CORPORATION OF IOWA

Ms. BICKING. Thank you for inviting me here to testify today.

I started representing farmers who had been denied food stamps back in February 1985. Since that time I have had direct contact

with 48 farm households. And 37 of those households contacted me after they had been denied food stamps; 22 of those 37 had been incorrectly denied. And 21 of those households now have been determined eligible by the Iowa State agency. And they have received a total of a little over $16,000 in lost food stamp benefits. The one remaining household is still in that appeal process.

The information that I have submitted in writing and that I will review briefly today is based upon my own personal experience in representing farmers in that system and from information that I have gathered from other farm law advocates in the Midwest.

I would like to briefly highlight five barriers that a farm household has in the Food Stamp Program. One has to do with the issue that I referred to as a two-party check. A lot of farmers receive a two-party check when they sell their grain or when they sell their livestock. It is made out to the farmer and the lender. The farmer endorses it, hands it over to the lender, and most times the lender says thank you very much, and we'll see you next time that you sell your produce. And the lender may or may not release any of that income back to the farmer.

This same kind of situation is happening with dairy farmers where FmHA reduces the milk check before the dairy farmer actually receives it. So, on paper these farmers may seem like they are getting a lot of money, but in actuality the amount of money that they really have available to them to provide basic needs for their family is very minimal.

The current regulations in the Food Stamp Program count all of this money as available to the household. To remove this barrier would take legislative action to modify the regulations, to recognize the fact that not all of this income is actually available to the household. So, that would take a legislative change.

Another problem in this country that dairy farmers are experiencing is in the way that their income is calculated. Grain farmers and livestock farmers have their income prorated over a 12-month period of time. Their allowable expenses are deducted from their gross income. The remainder is divided by 12, and the result is an average anticipated monthly food stamp income.

Now, when a dairy farmer, particularly dairy farmers in northern Illinois, go in to apply for food stamps, because they receive that dairy check on a monthly basis, their income eligibility is determined on a monthly basis. The problem is that they do not incur their expenses on a monthly basis. So, if a dairy farmer goes in to apply for food stamps in a month that they have little or no expenses, they are going to be found ineligible most likely for the Food Stamp Program. If they go in and apply in a month where they have expenses, the expenses are going to be great, they are going to exceed the income. But that excess will not be carried over into the next month.

The result is that these farmers are eligible for food stamps only for several months in a year's time. And if these farmers have to go in almost on a monthly basis to go through this application process, they are going to be discouraged, and will give up. It seems very logical that since their income is not being received on a monthly basis—excuse me. I mean, that since their expenses are not incurred on a monthly basis, that their income should be pro-

rated over a 12-month period of time, the same as a grain farmer and a livestock farmer. It would give dairy farmers more reasonable access to the Food Stamp Program, and I believe would project a more accurate income picture.

Another problem that is going on in the country surrounds the issue of substantial change. When a farmer goes in to apply for food stamps, the worker will look at the income and the expenses of the most recent income tax return to determine current income eligibility, unless there has been a substantial change in the farming operation. FNS will not define substantial change. They have provided examples.

Now, if a State narrows in on those examples and does not use any creativity or does not have workers who have any kind of farm background to understand what kind of changes can happen in a farm operation to decrease that income, then there is going to be a lot of farmers who will continue to be erroneously denied.

FNS has directed the Iowa State agency to use the language that is found in subsection 273.10 that speaks to anticipated income. FNS has told Iowa this language applies to farmers. That language is very clear in admonishing States not to use any past income as an indicator of current income eligibility, if that income is not anticipated.

I would recommend that the term substantial simply be thrown out and not used at all. The regulations at 273.10 refer to any change, to consider any change.

Another problem that I saw in the substantial change issue is that 9 times out of 10 when I would ask a farmer if there had been a substantial change in the farming operation, the farmer would say, "No." And it wasn't until I started going over the farmer's schedule F, a line by line item, asking very specific questions that I would find out that yes, indeed, there had been a substantial change.

Farmers are used to dealing with five and six figures on their income tax return for gross income. When you are looking at food stamp eligibility, $12 a year difference can make a difference on whether you will be considered eligible or not for the Food Stamp Program. So, I think that just by eliminating the word substantial, it would not give as much discretion to workers and State agencies that they now have. They would have to look closer at a farmer's current situation, and hopefully the questions that are phrased to the farmers would be phrased in such a way so that the farmers would more carefully look at their current situation when comparing it with last year's situation.

Two remaining barriers that I want to talk about briefly have been pretty much removed in Iowa. However, they continue to be a problem in other States, and that is the problem of untrained workers and insufficient information from FNS.

I spent from February of 1985 until June of 1986 trying to get a hold of all the elusive FNS policies that were floating around in this country relative to income and resource eligibility for farmers. I filed interrogatories. We did a deposition. I sent Freedom of Information requests. And I'm sure at one point FNS was seriously considering getting a restraining order against me because I'm sure they felt I was harassing them. I was telephoning them. I was writ-

ing specific letters. And it took me, you know, an advocate of long-standing who knew where to go to try to find the information. It took me that long to actually get the paper documents on my desk, to know how a farmer's income and resources are supposed to be treated.

In 1985 I saw workers who had been in that system as long as I had been with Legal Services, who are competent workers, become almost immobilized when the farmer walked in to their office to apply for food stamps. They didn't know what to do.

The Iowa State agency began training its workers back in January of 1985, but it was not until July of 1986 that the State agency had available to it all of the FNS policies. So, even though they were appropriately training their employees, they were giving incorrect and insufficient information because the State agency itself was not aware of all the policies.

I would recommend that FNS be mandated to incorporate its policies into the regulations. It may seem unnecessary and redundant because some of these regulations are substantive. Some are interpretive. It may seem silly to take an interpretive policy and put it into the regulations when there supposedly already is a regulation in place that is telling you that same thing. But you cannot always look at the policy and know exactly whether or not that is relative to an existing regulation.

I would also recommend that States be mandated to train their employees. And I would recommend that the Iowa State agency be used as a role model for other agencies to follow.

Thank you.

[The prepared statement of Ms. Bicking appears at the conclusion of the hearing, see p. 94.]

Mr. PANETTA. Thank you very much. That was very helpful guidance there.

Mr. Port.

STATEMENT OF RICHARD PORT, FARMER, WESTFIELD, IA

Mr. PORT. I am Richard Port. I have lived all my life in Plymouth County, Iowa. I have a wife and four children, a daughter 12, a son of 9, and twin boys of 4.

In 1975 my parents incorporated the machinery portion of the farm into a subchapter S corporation. At this time I was working a full-time job in town and part time on the farm. Shortly after this point, I converted to working full time on the farm so that I could work my way into the business and buy into this farm machinery end of farming.

At this time I didn't want to buy into land because land was continuing to go up and it didn't seem like as though it was going to continue. I thought it would finally drop down. But it didn't.

So, in 1982 I purchased some land from my parents, some for $600 an acre, some for $750 an acre, and decided that this time I was 29 years old and if I wanted to get it paid off in my lifetime, I was going to have to make a move sooner or later. At that time I received a Production Credit Association loan—didn't receive it—I applied for one— to improve my confinement buildings on the farm and get breeding stock to kind of help pay for the farm.

In the next 2 years that followed this point, farmland prices had dropped substantially and my debt to net worth ratio was at a level that was not acceptable by the Production Credit Association. And they were going to force me to sell out.

I received a loan or I applied for a loan and received a loan from my parents to keep from being sold out of the farming operation at that time hoping that this would kind of level out but it didn't. Hog prices continued to go down, and grain prices fell very drastically in the next years. And it was really getting very tough to make ends meet.

At this time I had an aunt who worked in a local community agency with WIC, and she had talked us into applying for WIC. And we accepted it because at that time there was no stigma on stuff attached to people who were on WIC. And we told ourselves, well, it was for improvement of the kids' nutrition and health.

But it continued to look like as though there was going to be a possibility that we was—if we was going to have to keep the farm, we was going to have to swallow our pride and go out and look for some form of aid. At this time this was March of 1984.

At that time there was no church organizations or no food pantries available. The only thing that was available to us was food stamps.

My wife kind of had very different ideas, as did everyone in the area and stuff, basically about what we thought of a person on food stamps. And it took a while and stuff. But we finally told ourselves that was the only way that we thought there was going to be a chance of saving the farm. So, in March of 1984 we applied for food stamps and were found eligible at that point.

In April of 1984, we were notified by the agency that they had made a mathematical error somewhere and we were then denied food stamps, or were found ineligible. We appealed the process at that point and asked to be continued on food stamps. Later on the appeal process came back that the—it was found in favor of the local office's decision.

At that point we felt as though the reasons that they were using for finding that we were ineligible did not seem right to us, so we took the idea to Legal Services of Iowa. And after reviewing the case they decided that, yeah, there was something there that wasn't right. And they felt like as though the case could be won. And it would really help. It would help other farmers be able to get into food stamps and be accepted in food stamps. But I had to agree to see the case all the way through. They didn't want to just go part of the way and then have it—throw it out and stuff at that point because I didn't want to continue it.

That was a hard decision to make because of the fact that the way the community in the Midwest, and especially with a rural upbringing—you kind of felt like as though someone who was on food stamps was either a leech on society or else he was a total failure. This was the predominant thought, and I had the same thought myself at that time anyway. And it was pretty hard to do except the fact that they told us it possibly make it easier for other farmers. And we thought if we could go through it and make it easier for someone else, at least some good maybe could come out of the

problem we was going through. So, we had agreed to continue on with the case.

At that time we didn't realize it was going to entail 27 months of legal problems, at least three formal appeals. Every time that it would seem that we were found eligible for food stamps in one particular situation, they would request more information and more figures that they would have to have. It seemed to us at this point like as though they were trying very hard to deny us or to keep us from food stamps rather than making us feel like as though there was a possibility that we should be applying, almost like as though we should not be people who should be in there.

And finally through the process at the end of November of 1986, the final appeal was given and the food stamps were given out, and I was found basically eligible for everything all through the point that I was denied by the local office. Everything was turned over, and I would have been eligible all through this point.

These laws and rules and stuff were all on—in the rulings it was just not understood by the agencies or whatever. There was a difference in the way they interpreted the laws that were written up.

At that time they asked me if I wanted to receive—when the finalization was, the repayment was in food stamps. And they asked me if I wanted to receive them all at once or if I wanted to receive them a little bit at a time. And I said that I wanted to receive them all at once because I was afraid somewhere along the line they was going to find some other way of keeping it back. And then I found out, well, you can't use them for anything but food. So, consequently all the time that I was using money for food that I was eligible for food stamps, that money could have went towards paying on a note, now cannot be repaid back because all I got back in repayment was food stamps. So, I'm sitting here with all these food stamps and can't do anything with them and have to end up buying a safe because if they're stole or lost, there's no recuperation and stuff from that point.

Looking back on it, I am very glad and stuff that I had the support of Legal Services to be able to go through it because there is no way I would have—I would have felt like hitting my head against a brick wall a long time ago and finally just give us and said, we'll close this thing out and go on to something else.

The biggest problem was the feeling of what I thought of someone on food stamps which has changed over the time I found out there is a different process involved and maybe some people have to work a lot harder and stuff for it. It is something that I don't wish on anybody else, and I really don't see any reason why it even had to be gone through in the first place.

I guess that pretty well gets me there.

[The prepared statement of Mr. Port appears at the conclusion of the hearing, see p. 143.]

Mr. PANETTA. Thank you very much.

Dr. Harper.

STATEMENT OF GORDON HARPER, M.D., CHILDREN'S HOSPITAL, JUDGE BAKER CHILDREN'S CENTER, HARVARD MEDICAL SCHOOL, AND MEMBER, PHYSICIAN TASK FORCE ON HUNGER IN AMERICA

Dr. HARPER. Thank you for the invitation to testify to speak as a member of the Physician Task Force on Hunger. The task force has conducted research in the last 4 years around the country into the re-emergence of hunger as a serious problem. We have been in 26 States and the District of Columbia and this year and last in several farm States. I am pleased to have this opportunity for reporting our findings.

Our general findings are distressingly easy to summarize. Contrary to the statements of some political leaders that hunger is rare today, we find everywhere we go hungry people are easy to find. In Tennessee and South Dakota, in Pennsylvania and California, on the west side of Chicago or in Houston, and in the small towns of Mitchell, SD, or Itta Bena, MS, we have spoken to Americans who tell the same stories.

They tell of children who eat their Cheerios with water when the milk runs out at the end of the month.

They tell of mothers who regularly dilute their babies' formula with water to make it go further when they have only four bottles to get through the week, and who then fill the bottle with water.

They tell of elderly people who eat canned dog food, or who have to choose between buying digitalis or buying bread, or who go without food to pay the electric bill.

They tell of young men unemployed and unable to feed their families and of mothers with young children who regularly scavenge through dumpsters for edible garbage.

In our 1984 report, "Hunger in America: The Growing Epidemic," we calculated that 20 million Americans go hungry at least part of every month.

In the farm States, the breadbasket of the Nation, hunger may be less intense. It certainly is less readily seen, but it definitely exists. There are many hungry people in the Midwest. In Peoria, in Marshall, in Waterloo and in Sioux Falls, we found the disturbing picture of hunger amid plenty.

In Des Moines we heard about parents going without food so their children could eat.

In St. Paul we heard about a school bus driver, interrupting a fight for food among children on the bus, who learning that some of the children had no food at home, then brought in some food for them.

In Clear Lake, SD, a woman told us with tears in her eyes how she had defied her husband by going to get food stamps for the hungry family. "I had to do it for the children."

In Marshall, we heard of farms where all they raise will go to the Federal land bank. They can't raise food for themselves. But what they raise for others they can't eat. In Marshall they found two malnourished elderly people, one too weak to walk, the other requiring placement in a nursing home.

In each place we went there is a waiting list for food supplements through the WIC Program. The available money does not

cover those in need and eligible. And the nutritionally needy, pregnant and nursing mothers, and the infant and young children must be prioritized and wait.

In Minnesota a man cried as he told us he couldn't provide a dinner for his daughter who was getting married.

We spoke to families who were hungry but couldn't even slaughter their livestock because they lacked the money required for processing.

In all the farm States people were generous in helping us to understand the paradox of hunger amid plenty. Rural people are more vulnerable to hard times today because fewer farmers practice general agriculture, fewer have gardens, and more people in cities or small towns have no relatives on the farm to help out when the cash economy fails.

The crazy quilt of economic dependence which ties the farmer to the banks and credit associations, a web which many in the Midwest believe is part of the deliberate plot to drive family farmers off the land, in a time of volatile land and commodity prices, has dragged down the able and the ambitious who expanded in the 1970's and leaves farmers working for someone else and not able to eat or sell the food they raise.

We heard about one farmer in jail for default on a bank loan who was allowed to leave jail each morning, returning each night, to milk the cows which now belong to the bank.

And for those who have lost their farms or who lost regular manufacturing jobs, the new jobs often amount only to semiemployment at minimum wage or less, less than full time and without fringe benefits.

In these parts of the farm belt, economic hardship and endemic hunger are becoming stable parts of the landscape, a major change from the pattern of boom and bust and boom, always at the mercy of the weather with which farmers have reckoned. This pattern is now worse.

The stories we have heard are difficult to elicit only in one respect. All over America proud people are hurt and ashamed that they cannot provide their children with food. They would rather smile and lie even to sympathetic outsiders than admit they do not have enough to feed themselves. "Oh, we're making out fine. It's a struggle, but we make do," we have heard in place after place even as we heard it 2 years ago here in the District within sight of the Capitol from people who had no food in the house.

Two years ago we went with members of the Committee on Unemployment Assistance to visit a family here. After a visit, one of the Congressmen said, "You can discuss programs and budgets in the Congress, but it is all conceptual. When you visit a family like this, it's a different story. I feel changed as a Congressman and as a person by this visit."

In South Dakota and Minnesota and Iowa we heard of families driving 40 miles to spend their food stamps where neighbors couldn't see them. We also heard of children hiding food, lest their fathers know that others were helping and punish the hungry children for accepting the food.

Let me add to my prepared statement here a comment about the many observations that were made about the stigma and the tradi-

tions of pride in the Midwest. While it is true that there are strong traditions of self-sufficiency, the Congress cannot escape responsibility for the fact that the attitude of stigma, the putting down of people in need, is generated by the way the laws are written and the regulations drawn up and the programs are administered.

In South Dakota we were told this pride, that is held to be deterring people everywhere from coming in to receive food stamps, is in the eye of the provider. It is the attitude which the potential recipient encounters in the office which generates and feeds the flames that Mr. Port and others have described, the sense of really aggravating the feeling of failure, of not doing as well as one wants to which the family feels to begin with, that being aggravated by the way the programs are framed, and as one of the previous speakers talked about—I think Commissioner Hightower—the difference between the food stamps for the rich, which come with the check in the form of commodity payments or other subsidies versus food stamps for the poor, which require you to fill out a 30-page application, filled out by people who, as I'll mention, are being encouraged to keep the numbers of recipients down.

All over the Midwest, as all over the country, the private sector has been responding in the way that we have heard from other speakers, doubling, tripling, quadrupling the volume of free food provided, but clearly not reaching the need at all. In Iowa we heard about a school program planning a summer feeding program. They expected 300 children might show up. The first year over 1,000 showed up. This year 2,000 are receiving lunches, 800 breakfast.

And everywhere we go we hear of arbitrary limits set to keep people from coming in too often. It is clear to those working in the feeding centers that the need is not yet met. In Marshall, for instance, a family can come back to the food pantry only five times a year, and this is up from three times a year last year.

What about the Federal role? With the private sector operating at full throttle, what of the Federal Government?

In the Federal response to hunger we have seen both the best and the worst our Government has to offer. We were surely doing our best as a people and as a government of and for the people when a series of Republican and Democratic administrations, starting with President Nixon in 1970, declared that hunger had no place in America and conceived and implemented the array of Federal food programs starting with food stamps, WIC, school lunch, and school breakfast programs, and the nutritional component of Head Start. Within a few years these programs had achieved their aim. They brought food into homes where previously there had been none.

I have been in homes as poor as any in America in the Mississippi Delta where barefoot and scantily clad children toddle on dirt floors near open fires, but where the children are eating meat and drinking milk purchased with food stamps. Seeing that food in those homes makes one appreciate what we can do as a people. While these families are still desperately poor, we as a society have nonetheless managed to guarantee the nutritional well-being of children who a generation ago would have had pale, dry skin, thin, dull hair, and distended bellies. This is the best of America, that

we can recognize the need and respond generously and effectively to it.

The worst of America is seen in the way that those same programs are being administered today. The administration is divisive, pitting neighbor against neighbor. It is mean-spirited, assuming the worst of poor people in a way never done with the affluent, and it is demeaning, requiring that families lose everything before they can get any help. It can even be antifamily, requiring parents to give up custody of their children in order that they be fed.

The regulations ostensibly written to deliver food to the hungry are so complex, so frequently changing, and so daunting to the workers, that they universally make the workers more worried about limiting the number accepted and not making an error in the recipient's favor, than they are concerned with making sure that those eligible, let alone those in need, are served. An adversarial atmosphere is created. There are no incentives to make sure that the hungry are fed. There are multiple incentives encouraging the worker when overpressed and in doubt to err on the side of denying benefits. And Mr. Port's situation is the story of that pattern.

Devotion and generous motives of public servants are systematically undermined by regulations which put the burden of proof on the recipient and the burden of error on the worker and the State. Wouldn't it make more sense to assume that statements are made in good faith and to verify them by random, systematic audits, as we do with other programs, than to cripple a program with regulations which require those already embarrassed by being needy to involve employers and landlords in multiple and repeated documentation?

The food programs as administered have no outreach effort to document, let alone to reach, the unserved eligible. To our great national shame, despite volumes of private sector documentation of the extent of hunger in our Nation, we have no systematic governmental monitoring of whether families have enough to eat. We know about the concentration of trace elements in our rivers and lakes. We know about the numbers of original versus retreaded tires on our highways. We know what is the mix of insurance payors in communities around the country. But we don't know how we are doing at making sure the children have enough to eat.

Without pretending that legal requirements of official monitoring solve problems, as no one who cares about surface mining, for instance, could believe, hasn't the time come when such vital matters of national interest should be taken up officially and no longer left exclusively to the efforts of volunteer citizen efforts?

In addition to the lack of monitoring, another thing we see in State after State is the way that redtape, bureaucratic indifference and the lack of any incentives for creative problem solving actually make more painful the lives of those already suffering poor health and economic misfortune. The grotesque actions of Government in this regard were epitomized for me by the situation of a man in Waterloo. This man I'll call Charles Haskins in his late 60's has worked as a factory worker and a Bible salesman. He has also served in the Navy. He is now dying of esophageal cancer. He is quite poor. He lives alone in a small cottage by the river, thanks to

the help of his sister and the VNA. Above his bed hangs a feeding tube through which a feeding formula flows into his stomach. He can't take anything by mouth. Nearby is a portable oxygen tank on which he relies more and more to get enough to breathe.

His dying days are complicated by the efforts of the Social Security Administration to recover from him several hundred dollars overpaid in error by either the SSI or the VA. He had received a lump sum which should have been declared at the time. Every few weeks now, despite the efforts of the VNA to call off these bureaucratic hounds of hell, he receives dunning letters threatening reprisal if he does not repay the money by a certain date, by which time in all likelihood he will be dead.

The final irony in this situation is that this man is well-nourished for a terminal cancer patient because the type of cancer he has blocking his esophagus makes him unable to take oral nutrition so that he receives his nutritional needs by prescription from the VA. Given his income, it is likely that if he had another kind of cancer, he might well, in addition to having a terminal illness and in addition to being bureaucratically hounded on the way to the grave, also be malnourished for economic reasons. In fact, he has enough to eat because he has esophageal cancer.

I never quite understood what "The quality of mercy is not strained" is meant to mean. But I do feel that it does not refer to the way our Federal service agencies are treating this man.

Such situations shock and amaze. They also make one angry as one realizes that the systematic disqualification of eligible applicants and the harassment of those trying to obtain legally entitled benefits is not only morally grotesque and cruel, it is also illegal.

Here we recall the recent finding by the GAO that 25 percent of disqualified food stamp applicants were, in fact, eligible. And we have just heard from Iowa the same results in another survey. The Food Stamp Program is being administered illegally. The intent of Congress is to deliver food stamps to those eligible, and an administration which systematically and inaccurately denies those benefits to the eligible is breaking the law, plain and simple.

And we know that there is a growing disinclination around this country this year from Wall Street to the TV ministers, the Iran-Contra affair, to tolerate illegal conduct by those in positions of trust and power. Isn't it time to apply the same investigational and prosecutorial spirit to the administration of Federal food programs?

I would just like to comment a little about one other thing, and that is the meaning of the farm crisis to families. All of us on the task force have been impressed with the high toll taken by the farm crisis on people themselves. We have heard about increasing depression, suicidality, domestic violence and alcohol abuse among farm populations. But we ourselves were not prepared for the full personal impact of the farm crisis as we traveled in the farm States.

In State after State we stood with proud, strong men as they cry over the loss of their farms and the collapse of their dreams. "I was the No. 1 hog raiser in South Dakota in 1981," one man told me, "and today I can't say if I'll be here next year or not."

We asked one woman how she was making it, how she was able to survive, and she said, "I just go for walks. It's the only time I can scream and yell. I have so much on me."

Another woman talked about losing the family farm, and she said one of her kids asked, "Why is Dad going off to walk by himself?" She said, "He has had this land longer than he has you. Losing it is like losing a child to him. He needs some time alone."

Another woman losing the family farm, unable to afford medical care for a sick child said, "My husband is depressed. We don't talk to one another. We scream. The kids know we are apart. It's not good." In the past he has talked about suicide.

He had to get away last summer. The only way he could make money was to go on the wheat harvest which meant he would be away for 4 or 5 months. He went and was away for three months. It was very hard. I almost lost it during that time. The only way I kept going was to go and visit my sister in Montana for 2 weeks. It's the only time I'd been away in several years. There is just no getting away from it. Right after he left, he had put in the crops and the cutworms came and destroyed them. I had to put the new crops in with help from a neighbor, and watch them constantly for cutworms. It was almost impossible.

We heard of children growing up scared, unusual talk in farm communities.

Where are the dispossessed farm families going we asked. No one seemed able to tell us. But we were asked not to visit a high school where four youths had suicided in the previous year.

To put this in perspective, it is one thing to lose one's job. There is a growing literature on the health consequences of job loss. There is another set of health consequences of chronic hunger, the background fear of the farm couple that they will not be able to feed their children or that their need will be seen as a sign of weakness of failure by public servants whose job it is to provide legally mandated assistance, or that their efforts to obtain help will be received in an adversary atmosphere. These effects have concerned the task force in all our studies.

But here in the Midwest we have something in addition, beyond the effects of job loss by itself and even different from the effects of chronic hunger. Here we have men and women and children losing their place in an order which ties together the personal, familial, economic, cultural, and natural worlds, an order in which families are formed and children raised in the course of producing food and fiber from the ground and of earning a living, in communities living close to and utterly dependent on the daily and annual cycles of nature.

A woman in Clear Lake, SD, told me:

If you wonder why we do this with all these problems, you'd have to come out here and stand by the window in the spring when the moist smell is coming off the fields and the birds are singing. You're welcome to come any time. I'm not sure you'll understand us any other way.

What impresses us in the farm States is the larger loss being sustained by those losing the farms, much more than the loss of a job. And the losses don't make sense in a larger economic or historical framework. As far as I can make out, they don't. Anyone walking through the stony fields of upland New England can understand the gradual attrition of farmers from rural New England since the first days of the republic, the efforts of Commissioner Schumacher

notwithstanding. Those changes made sense economically and agriculturally during the days when the Midwest was being opened up. But the present farm crisis does not spring from long-term changes in our need for food or in the way we raise it. It seems rather to be fueled by arbitrary and fickle Government policies which in treating land only as an economic resource, albeit it a resource riding a roller coaster, penalize the ambitious and discount the social and political value to the Nation of farming families on their farms.

The consequences of these losses may be with us for longer than we think. The children growing up scared are growing up.

Dr. Beardslee, a member of our group, wrote: "As a psychiatrist, I am almost afraid that many of these people will never recover, their lives have been so shattered."

The family farm and the life lived close to the Earth have a special place in the culture which we all, rural and urban, share. This tradition has been expressed by voices as diverse as those of Vergil, Thomas Jefferson, William Jennings Bryan, E.B. White, and Louise Erdrich. One of the ways we on the task force, most of us from the cities, have been fortunate in this work, which most of the time is very painful, is that we have been able to speak with and learn from people who are living that tradition, and can express it to us.

For these reasons, I personally look with special concern at the loss of the family farms in the Midwest. The personal and family connections which farm families have to the soil, not just to their work, are different from the connections to place, to community, and to the natural order the rest of us enjoy. The argument has been made that such families contribute disproportionately to the strength of the Nation. A policy which regards those intimate relations cultivated over decades or generations between farm families and their farms, as just one other economic relationship to be transferred according to the whims of the marketplace, seems to me not only cruel but short-sighted in the extreme.

Thank you.

[The prepared statement of Dr. Harper appears at the conclusion of the hearing, see p. 146.]

Mr. PANETTA. Thank you very much, Dr. Harper. I appreciate your testimony.

Let me ask Ms. Bicking. What percentage of the farmers in the area that you service—what percentage of the farmers who applied for food stamps were denied those benefits? Now, you gave me a figure of 37 applications that you looked at.

Ms. BICKING. There were 59 percent denied incorrectly.

Mr. PANETTA. That's 59 percent?

Ms. BICKING. Yes. And of the 15 that were denied correctly, 10 of those were denied for being over income. And 6 of those 10 had off-the-farm income. Had it not been for that off-the-farm income, they too would have been eligible. I have seen a steady increase of farm households receiving off-the-farm income now through either the men working or the wife working.

Mr. PANETTA. What is the base problem? Is the base problem the asset side of it?

Ms. BICKING. No. It is the income. In the 22 that were denied incorrectly, only 2 were denied because they were deemed over resources.

Mr. PANETTA. So, it really is the income.

Ms. BICKING. Yes, and workers not understanding how to correctly calculate that income.

Mr. PANETTA. Let me ask you. You have suggested some kind of pro rata approach over a year. How would you work that? I mean, how could you—if somebody comes in in June for food stamps and doesn't get a check till September, how do you begin to prorate it?

Ms. BICKING. I would recommend that the income of dairy farmers be calculated the same way as grain and livestock farmers, and that is, if a dairy farmer then comes in in the middle of June, that they bring with them their most recent income tax return. That schedule F will show the total income and the total expenses from the year before. And if there has not been a substantial change in that farm household, and those figures can be used, then the net income will be derived to show an average annual income. And that household would more than likely be certified then until the following February when the new income tax return would be completed. And then they would be recertified with that new information. And then they would be set up on a 12-month basis from that point on.

Mr. PANETTA. Let me ask Mr. Port. When you first went in, you were handed a food stamp application. Right?

Mr. PORT. Correct, yes.

Mr. PANETTA. Did you have any problem filling that out?

Mr. PORT. No, not to my recollection. I think, if I remember correctly, I phoned to find out how to apply for food stamps, and they sent me an application in the mail. And I filled it out at home. At that time they set me up an appointment I think like 1 week from that date or something, so I would have a couple of days to fill out that form and then go to the appointment.

Mr. PANETTA. Did you get any hassle at the initial stages when you called to get the application?

Mr. PORT. No.

Mr. PANETTA. That was not a problem.

Mr. PORT. No.

Mr. PANETTA. So, you filled out the application, sent it back in.

Mr. PORT. Took it back in with me at the time of my appointment, yes.

Mr. PANETTA. So, you brought the application with you at the time of the interview.

Mr. PORT. Yes.

Mr. PANETTA. And they then walked you through it?

Mr. PORT. Yes.

Mr. PANETTA. What were the problems they were running into at that time. Well, actually you qualified the first time.

Mr. PORT. I qualified initially, yes.

Mr. PANETTA. So, it was later that they determined you didn't qualify.

Mr. PORT. Yes. Their reasoning, as I understand it or remember it, was the fact that I worked on the farm in this corporation on the farm machinery, and I tried to—well, the raising of the hogs was not in the corporation. This was my own. One unit had a loss, and the other one showed a gain. The two of them would not—they did not offset them. They said the loss was to be a zero, and the

other one would be a total gain. So that, therefore, and stuff made me ineligible then for food stamps. I was over my, I believe it was $1,500 a month limit.

Mr. PANETTA. Well, you ran two operations or you were getting——

Mr. PORT. I was getting income and——

Mr. PANETTA. So, you suffered a loss on one and a gain on the other, and they didn't offset the two?

Mr. PORT. Correct.

Mr. PANETTA. Was this the main point of distinction then over 27 months?

Mr. PORT. No, that was the first one.

Mr. PANETTA. Is that right? What were the others?

Mr. PORT. Let's see.

Mr. PANETTA. Just give me some idea of what was raised.

Mr. PORT. All right. In the corporation I owned shares in the corporation. In a subchapter S corporation it's handled with shares. Then they said that these shares then were a resource value that could be sold. So, then I was over resources then at that point. The shares are in—all they are is farm machinery. It would be the same thing as owning the machinery itself, only instead of owning a whole tractor and not owning the next tractor, I own 40 percent of this particular unit. I own 40 percent of this unit, and 40 percent of a total package.

But they felt that this could be—because it was shares in a corporation there was no other—they didn't look at it to the fact that it was a subchapter S for a farming corporation. It was the same thing as owning a share in General Motors or something of this idea.

Mr. PANETTA. Let me ask you. At the time could you give me some idea of what your monthly income was? Were you making anything?

Mr. PORT. My monthly income and stuff was—I received $500 a month from the corporation. I'm a standard employee. And that was my monthly income.

Mr. PANETTA. That's $500 a month?

Mr. PORT. Yes.

Mr. PANETTA. I assume you had debts that you were paying at that time?

Mr. PORT. Yes. Well, I guess I still had hogs at that time, so there was something from that. But all that money had to be returned to the PCA, the Production Credit Association and stuff for——

Mr. PANETTA. How much did you owe the PCA?

Mr. PORT. It fluctuated up and down. It was on a floating note. I believe the limit was around $50,000.

Mr. PANETTA. So, on a monthly income basis, there was no question you qualified. What they then got into was the valuation on the shares, the operations of the different corporations or the different entities that you had on the farm. So, that was the thing that was basically hanging it up, were interpretations that related to these other elements.

Is that it?

Mr. PORT. I would say so, yes.

Mr. PANETTA. Did you ever qualify for food stamps?

Mr. PORT. Yes.

Mr. PANETTA. You did. After 27 months?

Mr. PORT. Yes. I was found eligible for these 27 months. Well, there was actually——

Mr. PANETTA. That's right. And you got all they owed you after the period of 27 months? You got a hell of a lot of food stamps at the end of this.

Mr. PORT. Correct. And as long as I am eligible for food stamps now, there is no way of doing anything with them.

Mr. PANETTA. Did you know other farmers that applied for food stamps at the same time? Have you ever talked to other farmers that applied for food stamps?

Mr. PORT. No, sir.

Mr. PANETTA. They probably saw what you were going through and said—I mean, if they had any reservations, they really said to hell with it at that point.

Mr. PORT. Yes.

Mr. PANETTA. I take it there is a natural—there is kind of a built-in resistance among farmers to get on food stamps because it is essentially considered welfare and it is something they try to stay away from. Right?

Mr. PORT. Yes. That was probably the biggest hang-up to originally start it.

Mr. PANETTA. Dr. Harper, let me ask. Based on the evaluations that you have done out there, what process could we implement to make it easier for a farm family in need to be able to receive assistance that they qualify for? Is there an approach?

Obviously sensitive bureaucrats and office workers, and all that. I understand that. But is there a way to conduct outreach in a way that doesn't demean people who have worked most of their lives?

Dr. HARPER. I think there are a number of things that can be done. In the first place, public officials who believe that Government entitlements should be received in dignity and without humiliation should say so and should say so locally and should say so around the State. I think this task force is going to have hearings in South Dakota——

Mr. PANETTA. That's correct.

Dr. HARPER [continuing]. Later on. I think that is a place where there is a role for public statements.

The second part is that I don't think the Congress has really recognized its role as the architect of the kinds of relationships and the stigmatization that go on in the food stamp offices. You know, we all deal with the post office. We all deal with other government agencies. We don't get stigmatized. It's part of it. And I think we have to look at the way—the basic assumptions that we're setting up, which are then compounded by the way regulations are drawn up.

In particular some of the tremendous emphasis on error detection and the error rate minimization that the States are struggling with now are clearly—you couldn't set up something like that without guaranteeing that people are going to be harassed and hounded and that the error rate, the disqualification of the eligibles, is going to be in the 25 and 50 percent range that we have

heard about. I think there is a whole—the authorship has to be traced back to the way the programs are conceived of and set up. It is not necessary.

For instance, we are impressed everywhere we go with the difference between the attitudes attached to getting food stamps and the attitudes in most places attached to getting WIC benefits because the one is administered through public health offices as a public health service and isn't part of the whole welfare system which most places is layered through with class and economic and racial tensions in each community.

That is why, in response to the question before about block grants, you can't simply give entitlements like these through the existing systems without some oversight because the people who are in need in a lot of places are on the outs politically and socially. And the State and county administrations are not looking to further the well-being of the needy. So, there is an inescapable Federal role here, but it has to be—I think we have to examine whether we want to set up programs in a way which will demean and drive further down the needy.

Mr. PANETTA. Well, thank you all for your testimony. It has been very helpful, and it assists us in trying to evaluate these programs. We are going through the process of welfare reform now. So, this obviously gives us the opportunity to rectify some of these problems.

But ultimately, you know, there is one thing I've found, that no matter how we design it back here, it does depend on sensitivity of people in the field who care about how they serve people. If they don't care, if they treat people by the numbers, there is no way we can build in that sensitivity in the law. We can simplify the forms, and we can do things that need to be done, and we can change some of the standards.

But ultimately it really does depend on the sensitivity of people who have to provide these benefits to others. If they are just going to treat them as if they are criminals, and a lot of these offices do, the impact on that individual is always going to be bad because he is always going to feel like it is a demeaning process. So, part of this has got to be the training and oversight and ability to get people who are very sensitive to these situations. We really need to do that.

Thank you all very much.

The last panel, fourth panel, is one panelist, Dr. Larry Jones, who is the founder and president of The Larry Jones International Ministries and Feed the Children, organizations involved in distributing surplus grains to programs serving the needy both here in the United States and abroad. Today my understanding is that more than 1,100 feeding centers, food bank and Indian reservations receive assistance from Dr. Jones' organizations.

Thank you very much for coming to the select committee, and your statement will be made part of the record. And you can read it or summarize it, as you wish.

STATEMENT OF LARRY JONES, FOUNDER AND PRESIDENT, LARRY JONES INTERNATIONAL MINISTRIES AND FEED THE CHILDREN, OKLAHOMA CITY, OK

Mr. JONES. Thank you, Mr. Chairman.

My name is Larry Jones, and I would like to thank you for this opportunity to testify before you and this subcommittee on hunger. I speak to you this afternoon on behalf of The Larry Jones International Ministries and Feed the Children.

My ministry was founded in 1964, and Feed the Children was started in 1979. The two have become united in an effort to provide food and medical attention to children suffering from malnutrition in third world countries and to help create a national awareness of this plague robbing us of one of the world's most precious natural resources, its children.

Larry Jones International Ministries is a nonprofit organization located in Oklahoma City. Our program is on two major television networks plus 90 major cities weekly. Last year our budget was $28 million. And 89 cents of each dollar was spent on our outreach program in this country and around the world. And by the way, that figure was verified by our accountants, Coopers & Lybrand, in our annual audit.

Since 1979 Feed the Children has moved surplus grain into 27 countries. In addition to grain, we have sent clothing, medicines, shoes, Bibles and farm implements to needy third world countries and major cities and rural ghettos in this country. Presently we are distributing food in 38 States. The food is taken by our trucks to 93 different distribution points in these 38 States, and then distributed to over 1,100 feeding centers. We estimate we are ministering to over a million and a half needy people monthly in this country alone.

We are also at this time planning Larry Jones Presents Feed the Children, Washington, DC. This event will be held on Labor Day, and we plan to distribute 1 million pounds of food through 500 local churches in the District of Columbia area.

Over the last several months I have traveled the countryside visiting farms and observing how our family farmers are coping with the terrible and grave problems that they face. I have come to understand that the American farmer is a little bit different than people in other occupations in this great land. Charles Warner put it this way, "There is life in the ground. It goes into the seeds, and it also, when it is stirred up, goes into the man that stirs it."

The American farmer is probably the last of a unique brand of Americans who still embrace that early spirit that helped explore, develop, and make this country great. In fact, a significant portion of our family farmers inherited their land and, indeed, their commitment to that land from former generations of American pioneers. The traditional American farm often has been in the family three, four, or even five generations.

The American family farmer is independent. He is proud and he is tough. He toughed it out when the dairy buyout flooded the beef market plummeting beef prices. He toughed it out when Russia invaded Afghanistan because our countries were involved in a grain embargo. And he geared up and toughed it out when he was told to

plant fence row to fence row in the late 1970's so he could help feed the world. He took this challenge and he jumped at the chance to whip world hunger.

Yes, these farmers are tough. For generations they successfully battled floods, insects, and famine. But now the American family farmers sense they are losing the most important battle of all, the battle for survival of their farms and their livelihood because of Government policies as destructive and beyond their control as a hail storm. Despite recent bumper crops, Midwestern farmers in general are no better off than they were in the late 1970's. The large harvest of 1986 has driven the price of corn down even lower, and finding adequate grain storage facilities has become a huge and costly headache. It has been an almost impossible situation for the American family farmer to react to falling prices, loss of foreign export markets and crop production costs.

In the midst of this terrible agricultural crisis, the Harvard Physicians' Task Force reports there are more than 20 million Americans who are malnourished. Appallingly a significant number of these are our farmers.

A few months ago I interviewed a farm couple who had to dig through grocery garbage bins for food. Not only did they collect food for themselves, but for six other families who would also go hungry. It is hard to believe that one out of every four children, including one out of every two black children, are malnourished in a country where there is not enough elevators to store our surplus so that some of that surplus is stored on the ground and even in river barges.

The United States had bumper crops in 1986 on top of record yields the year before, yet there is no place to sell the crops, no place to store the crops, and no place to export the crops. How in the world did America get into the predicament of having too much food, yet too many hungry? The surplus is astounding.

A few months ago I visited Decatur, IL, where I stood on top of 3.2 million bushels of Government controlled surplus corn that was being stored on the ground because elevators were filled to capacity. The corn was piled one-half mile long and as wide as a football field. I also visited a potato grower who had just thrown away 6 million pounds of potatoes, and they were rotting.

Not only is this tragic, but it's costly. According to the USDA supply and demand report of 1987, it is costing the American taxpayer over $9 million a day to store this surplus while literally millions are malnourished and hungry.

I would like to share with you briefly some—what I call factors of alienation. Senator Don Nickles of Oklahoma has said, "Until the problems of the farm families are reversed, the fabric holding together rural America will continue to tear."

Well, I have traveled across this great land speaking with farmers, and I can tell you these farmers are feeling torn apart. And in county after county, State after State, they have told me why.

No. 1, farmers feel politically alienated. Many politicians believe it is not profitable to stand up for the American farmer because there are so few of them. Since their voting block it not powerful, it is not politically profitable to stand up for the American farmer. The problem the American farmer is facing today, Mr. Chairman,

is the problem you are facing today, that is this: Where is everybody?

This is a simple statement of the problem they're having. If America's 2 million farmers walked in this door right now, they would say to you, I don't count. And if you were an American farmer and you came here today, you would say I don't count in the greatest land in the world. The strongest link in the chain is only as strong as its weakest link. And these people feel like they have been left out in the cold. They feel that way.

No. 2, our farmers are not receiving adequate information on their loans, and they are unaware of their rights. In one court case it was ruled that FmHA was prohibited from foreclosing or requesting voluntary conveyance of property until borrowers were informed of their right to apply for a loan deferral and provided an opportunity for an appeals hearing as called for in FmHA regulations. Congressman Glenn English told me 2 weeks ago—he said, "Banks and lending institutions worked with farmers during the 1930's, during the 1950's, but it seems today the policy is: foreclose now and ask questions later."

No. 3, our farmers are not receiving fair, legal representation. Not only have farmers had difficulty finding out what their rights are, they have also had difficulty hiring an attorney who would be 100 percent in their corner. Farmer after farmer has shared with us that attorneys have told them they cannot go against a bank or a lending institution in their small community. The attorneys say if they do, it will be the last court case they have in that small town.

No. 4, our farmers are being denied checks by lending institutions. Farmers have repeatedly told us of lending institutions holding their checks, preventing them from buying seeds and fertilizers for the planting season. Farm mothers have stood with tears in their eyes telling me of how checks were at the office, and their children were sick. They needed medicine. There was no food at home, and the check was held 6 weeks before that mother could buy food for her five children.

Senator Harkin has rightfully protested this check withholding by such lending institutions as the Commodity Credit Corporation.

No. 5, our farmers are being denied food stamp assistance to which they are entitled. Farmers who have gone to apply for food stamps have been humiliated because the food stamp system is concerned with a person's assets and not their debts. Therefore, when they have applied for food stamps, the agency has looked at their assets and stated that they are not eligible when, in essence, the farmer has no money whatsoever because in many instances even some IRS refunds are being sent directly to apply for the loan. The bank will not give them any money for a cash flow. Mr. Chairman, there are thousands of farmers out there who cannot put $10 worth of gas in their car. They don't have $2 to buy a quart of milk. They're broke. I mean dead broke.

No. 6, our farmers' loan payments are being applied to principal rather than interest. A number of farmers have shared with us that when they made their payment on their loan, without them knowing it, their payment was applied to principal. As such it is

considered capital gains. The farmer is then suddenly confronted with the IRS standing at his door with a big tax bill.

No. 7, farmers are of course dealing with the enormous problem of surplus. This surplus is like an invisible blight upon the land. The U.S. agricultural exports have tumbled almost 40 percent in 5 years as Europe, Australia, Canada, and Argentina compete in the world market glutted with food. Even India is now exporting wheat. The result is devastating. North Dakota's 33,000 farmers have plunged to some $5.7 billion in debt. Consequently, 17 percent of them were delinquent in mortgage payments. And as many as 5,000 were expected to be out of business before the State centennial in 1989.

No. 8, our farmers are the victims of a misguided foreign assistance policy. During the 1970's our banks made billions in loans to Third World nations, many of whom are now economically strapped and have indicated we will never repay those loans. Mr. Chairman, we are not going to foreclose on Brazil. But we are foreclosing on the American farmer. A Third World debt crisis has ensued.

Senator Don Nickles is to be commended for trying to enact legislation that will stop the funding of low-interest, long-term loans to bail out foreign farming and foreign energy production in other countries. However, many are now wondering, since these foreign countries can't pay those loans back, should they have ever been made in the first place.

One farmer, whose farm was paid for, said to me, if I give my farm to my three children and today's prices continue, they will lose it in 3 years. It is like someone who asked a farmer; What would you do if you won $1 million? He said, I would just keep farming till it was all gone.

No. 9, the farmer is being subjected to intimidation and fear tactics. It has been my privilege to speak at a number of farm rallies throughout the Midwest. Some of these rallies have not had the attendance that was anticipated or expected. When we inquired, we were told that farmers stayed away from rallies because they were told if they showed up to protest some of the practices that are going on in the United States, their loans would be escalated. This type of fear should not dominate farmers in the United States of America.

Senator Tom Daschle from South Dakota stated,

> Any person who tells you that farmers and ranchers have decided that things are fine is just plain wrong. Any person who says our rural families have given up is wrong too. Farmers and ranchers still want a decent and a fair price, a chance to compete. Farmers and ranchers are angry and scared. They might be quieter on the outside, but they are still hurting on the inside.

It is time for Republicans to quit pointing their fingers at the Democrats, and the Democrats to quit pointing their fingers at the Republicans. The farm issue is far too important to this Nation for two political parties to argue and lay blame.

Some say the farmers were too greedy. Others state that the lending institutions used bad judgment. Another group blames the loss of foreign markets on the demise of the American farm. There are many issues and many factors responsible for the problem in which the American farmer finds himself.

However, all the negative energy that is used in blaming either the Government, the lending institutions, the weather, or foreign policies, will not bring about a positive conclusion to a terrible problem. Therefore, it is time the farm problem stops being a political football. It is also time, as one person stated who was very, very, very high in Government, that we stop doing as little as we can as late as we can in hopes that we will have to do nothing.

John Kennedy said it best:

> Let us not seek the Republican answer or the Democratic answer, but the right answer. Let us not seek to fix the blame for the past. Let us accept our responsibility for the future.

The American family farmer is far too important to be caught in the middle of a great debate. In the midst of this event, it is time for action.

I am reminded of a story told to me regarding a conversation between President Reagan and Dr. E.V. Hill, who is pastor of the Mount Zion Missionary Baptist Church in Los Angeles. The President had recited his policies and long-range plans on a particular issue. Pastor Hill stated, that is well and good, Mr. President, but what are you doing in the meantime that counts.

I want to tell you that the American farmer has been left out in the cold while the debate wages. And in the meantime, right now, the American farmer is freezing. Strategies must be created and objectives must be reached ending foreclosures, and help the farmer regroup for the future. In the meantime, while we wait for Government to finally assume it's responsibility both for the farmer's dilemma and for his salvation, those of us in the private sector must act.

While everyone talks policy, nobody is aggressively attacking the surplus which is an albatross around the farmer's neck. Last August we at Feed the Children began a very aggressive program to buy America's surplus and feed some of the hungry Americans that have been affected by the economic crunch.

We have been strongly urging the Government to release 13 billion bushels of grain to feed the country's hungry. As I stated earlier, while exploring this situation, we came upon tons of corn rotting in river barges, and a 50-foot-high mound of surplus grain that was as long as eight football fields. Some of this grain is held against loans owed by our farmers. If the Government would release the surplus, we at Feed the Children and others like us will move it to the hungry.

In fact, since last August, Feed the Children has been in 38 States delivering to 93 distribution points, and those in turn gave to over 1,100 feeding centers. Ultimately this has touched the lives of 1.5 million people. We are only one relief agency. Importantly, we are planning 3 days in Washington, DC, the Labor Day weekend, September 5, 6, and 7, to help distribute over 1.5 million pounds of America's surplus through the 500 churches in the Washington, DC, area.

Now, at present—and this could be the most important thing in my testimony—there are over 339,000 churches, temples, and synagogues in the United States. And may I kindly remind you, Mr. Chairman, that the Bible never tells the Government to feed the

hungry. The Bible tells God's children to feed the hungry. That is why I have a personal motivation to feed the hungry.

I believe the answer to America's hunger problem, the answer to getting rid of the surplus, lies not just with the Government and a variety of private relief organizations, but with the churches because this group has never really tackled the American hunger problem or has it flexed its muscles when it came to taking our surplus and feeding the hungry. When politicians plan for the future, they look at old programs and they try to come up with creative ways to help the needy and the hungry. The outside factor, looking for new solutions, should include the religious private sector.

I am not here with a theory today. I am working with over 1,500 churches across this land, and I believe they are the sleeping giant, and part of the solution and I believe part of the Government's answer is the private sector, especially churches.

We at Feed the Children believe that hunger could be whipped if the 339,000 churches aggressively attacked this problem. With simple math, if each of the 339,000 churches, synagogues, and temples would purchase four truckloads of surplus grain a year, that would be 1 billion bushels of grain. Had they been doing this for the past 10 years, America would not have a surplus, our Government would not be spending $10 million a day, and the hungry people across this great land would be fed.

We still must look to our Government for leadership and assistance. Benjamin Franklin said, "Those who govern, having much business on their hands, do not generally like to take the trouble of considering the carrying into executing new projects. The best public measures are therefore seldom adopted from previous wisdom, but forced by the occasion."

If one agency like Feed the Children can affect the lives of 1.5 million people, think what can happen if legislation is passed that will release surplus grain and the funding to take that grain not only to feeding centers, but also to Indian reservations and other places where there are hunger pockets in this great land.

I know it is important and necessary to seek prudent and thoughtful, short-range legislative and long-range policy solutions to the terrible problems we have discussed today. But in the midst of your legislative and political deliberations, I beg you not to lose sight of the startling despair of many of your constituents and your fellow citizens. I sometimes think that what is missing in our generation is not just a lack of commitment and integrity, but a sense of shock and outrage, the anger and commitment to make us do whatever it takes to get the job done right.

Thomas Jefferson, revered as a great and innovative farmer as well as a statesman, once said: "Indeed, I tremble for my country when I reflect that God is just."

Thank you.

[The prepared statement of Mr. Jones appears at the conclusion of the hearing, see p. 163.]

Mr. PANETTA. Dr. Jones, you have given a very good statement, and I apologize. We have a vote that is on and we're running late. But your statement has said it all. And I appreciate the work that

you have put into it because all of the points you have pointed out are right on the button, plus the solutions.

In particular, just let me commend you for the work that you are doing with your ministry and the work with the feeding of the hungry because we depend on your kinds of operations to help fill the gap that the Government can't fill.

Mr. JONES. I would just add one quick thing——

Mr. PANETTA. Sure.

Mr. JONES [continuing]. After hearing this testimony because I thought someone else would cover it. If someone could make some transportation money within the context of the United States available—it is like we are working with the Christian Appalachian project.

Mr. PANETTA. Right.

Mr. JONES. They had food that was donated to them from our Government. The food was in Kansas City. They didn't have funds to get it from Kansas City over to eastern Kentucky. That would be very helpful.

And also some of the programs where the transportation for overseas had been cut. If this could be reinstated, we will do it. We need your assistance.

Mr. PANETTA. Thank you very much.

There will be 10 days provided for any additional statements for purposes of the record, and our thanks to all of the witnesses today.

The select committee is now adjourned.

[Whereupon, at 12:52 p.m., the task force was adjourned.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

This morning, the Select Committee on Hunger will address one of the most tragic consequences wrought by the recent depression in our farm economy--the increase in hunger and poverty among families in rural America.

The Select Committee on Hunger is responsible for conducting investigative hearings on hunger and poverty so that recommendations can be developed on ways to ensure that the rural poor receive the nutrition assistance to which they are entitled. Rural economic development and agriculture policy are not the focus of this hearing, however. Economic development and agriculture policies are the responsibility of the authorizing committees in the House and the Senate.

The Agriculture Committee on which I have the honor to serve took action three years ago in the Food Security Act of 1985 (P.L. 99-198) to get our farm policy back on track. The Committee this year is working to reform the Farmers Home Administration (FmHA) to ensure that those farmers in distress still have access to financial assistance from the "lender of last resort." The Committee is also working to preserve the Farm Credit System (FCS) which has served farmers well in the past - but which has recently suffered tremendous losses.

The severe depression in our farm economy is also having devastating effects on rural communities across the country. Among other effects, we are seeing growing unemployment and fewer opportunities for our youth in these areas. The Committee is investigating efforts that can be directed towards rural communities to address these broad economic problems.

Unfortunately, economic recovery in our farm communities cannot occur overnight. The Federal deficit policies and the erosion in the competitive position in world markets of American agriculture which caused the depression in our agricultural sector evolved over a long period.

This morning, we will be privileged to hear from a number of distinguished experts who will testify on innovative ways in which agricultural surpluses can be made available to poor families in rural America. Witnesses will provide us with recommendations for ensuring our national nutrition assistance policies and assistance programs take into account the particular conditions unique to low-income rural and farming families.

Because the Federal deficit virtually hamstrings our ability to launch new programs or expand existing ones, innovative and ingenious approaches are required if we are to ensure that low-income rural families get the nutrition assistance they need. For example, I was pleased to cosponsor with Representative Bill Emerson, who serves as both the Ranking Minority Member of the Domestic Task Force and the Agriculture Committee on Domestic Marketing, Consumer Relations, and

Nutrition, an amendment to the Commodity Distribution Act of 1987 (H.R. 1340), which will authorize a pilot project to test the administrative feasibility of providing a broader range of surplus commodities from the U.S. Department of Agriculture directly to food banks. This demonstration project is significant for the rural poor of America because food banks are often tied into the charitable and religious support network in rural areas.

Former Agriculture Secretary Bob Bergland will give the Task Force data which demonstrate that the lack of economic development has created serious problems of hunger and poverty in rural America.

This morning we will hear about initiacives launched in Texas, Oklahoma, and Massachusetts which offer nutrition assistance to the poor. In Massachusetts, the State Department of Agriculture is trying to get farmers more involved in food assistance and also create new markets for small-scale farmers. In Texas, the State Agriculture Commissioner has developed an action plan to ensure that the rural poor have access to the nutrition assistance and other aid to which they are entitled. In Oklahoma, the Feed the Children Project distributes surplus grain and clothing to feeding centers, food banks, and Indian reservations.

We will be privileged to hear from two farmers this morning who will describe problems which are not atypical of today's farm families. We will also hear from a physician about the

psychological toll which rural poverty and hunger inflict on farm families.

Testimony will also be received on existing barriers to participation in the Food Stamp Program for rural farm families. We will hear about how application is made more difficult by complicated procedures, varied interpretations of Federal regulations, and lack of understanding by many case workers of how to apply the rules to farm families with complex finances.

The plight of families forced into poverty because of the problems in American agriculture necessitates a prompt response. Indeed, it is a shameful commentary on our priorities when farm families, who produce the food on which we depend for sustenance, face hunger and poverty.

PREPARED STATEMENT OF HON. MARGE ROUKEMA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Statements by witnesses today have implied that the percentage of eligible food stamp applicants improperly denied benefits is large and growing. There may be isolated pockets in the United States where there are such problems, and, if so, they should be corrected. However, in the country as a whole, there does not seem to be a significant problem.

I commend to the attention of my colleagues a U.S. General Accounting Office Briefing Report which was presented in April of this year to our colleague, the distinguished Chairman of the Task Force, Mr. Panetta. I also present for the record, the text of page 23 of that Report, dealing with food stamp error rates.

The Report indicates that, from 1980 through 1985, "the percentage of cases involving households whose benefits were improperly denied or terminated, nationwide, declined from about 4 percent to about 3.1 percent." I also submit for the record Table 2.3 from the Report, which gives an annual breakdown for error rates for each of the various states and territories.

PERCENTAGE OF FOOD STAMP CASES IMPROPERLY DENIED OR TERMINATED, NATIONWIDE AND BY STATE

In fiscal year 1985, the percentage of cases, nationwide, in which household benefits were improperly denied or terminated was about 3.1 percent, according to the results of states' quality control reviews. A majority of states (33) reported error rates of 2 percent or less (See fig. 2.4.).

From fiscal years 1980 through 1985, the percentage of cases involving households whose benefits were improperly denied or terminated, nationwide, declined from about 4 percent to about 3.1 percent (See table 2.3.). During that period, the percentage of households who had their food stamps improperly denied or terminated ranged on a state-by-state basis from 0 (Delaware in fiscal years 1982, 1984, and 1985 and Kansas in 1985) to over 11 percent (Washington in fiscal years 1984 and 1985 and the District of Columbia in 1981). As noted in section 1, the Service does not validate the accuracy of the state-reported improper denials or terminations unless a state may be eligible to receive enhanced funding to administer the program. We are currently evaluating the accuracy of states' improper denial and termination error rates as well as the procedures that states use to develop these error rates. We will be reporting the results of that work later this year.

Table 2.3: Percentage of Food Stamp Cases Reported as Improperly Denied or Terminated, Nationwide and by State, Fiscal Years 1980 Through 1985

State	Fiscal Year 1980[a]	Fiscal Year 1981[a]	Fiscal Year 1982[a]	Fiscal Year 1983	Fiscal Year 1984	Fiscal Year 1985
U.S. Total	4.0	3.7	3.7	2.9	3.0	3.1
Alabama	1.2	1.7	1.8	1.9	0.9	1.9
Alaska	5.6	3.4	2.5	3.6	2.9	1.3
Arizona	0.4	3.0	3.0	3.4	2.4	1.4
Arkansas	1.3	1.5	0.3	0.1	0.5	0.1
California	8.3	9.3	9.8	4.2	2.4	4.4
Colorado	1.8	2.6	1.2	1.5	1.1	1.1
Connecticut	2.1	1.2	1.3	0.2	0.5	0.5
Delaware	0.5	1.2	0.0	0.7	0.0	0.0
District of Columbia	2.5	11.9	1.3	1.4	3.9	1.1
Florida	1.3	2.3	1.4	0.9	1.9	1.5
Georgia	3.2	2.5	1.0	1.5	2.3	3.9
Guam	3.9	2.2	3.1	2.4	N/A	2.0
Hawaii	1.5	1.7	1.0	2.4	1.7	3.2
Idaho	7.7	3.1	2.1	1.9	1.9	2.1
Illinois	3.6	3.2	3.4	2.3	7.5	9.1
Indiana	3.8	2.1	2.3	2.5	1.6	2.8
Iowa	3.6	4.1	4.6	3.7	4.4	1.9
Kansas	1.6	2.5	1.9	3.7	2.0	0.0
Kentucky	1.0	1.6	1.4	1.4	5.2	3.8
Louisiana	2.1	4.0	3.5	1.5	2.1	5.6
Maine	0.5	0.4	1.3	1.8	1.8	0.6
Maryland	6.4	7.3	3.5	3.6	3.3	1.9
Massachusetts	2.5	1.7	1.0	1.3	0.5	1.0
Michigan	6.7	6.2	5.8	4.1	5.4	6.5
Minnesota	5.2	4.5	5.9	8.3	9.8	5.3
Mississippi	0.5	1.1	1.7	1.1	0.7	0.7
Missouri	2.6	1.7	1.1	1.2	0.7	0.6
Montana	7.0	3.1	2.4	3.1	1.6	1.8
Nebraska	5.4	3.5	4.0	0.3	3.1	1.8
Nevada	0.2	0.8	0.7	1.2	0.6	0.3
New Hampshire	1.8	3.8	4.2	1.0	0.8	2.7
New Jersey	1.0	1.1	1.2	1.3	0.5	0.8
New Mexico	2.3	2.0	1.9	1.4	2.4	3.1
New York	1.9	2.0	1.6	2.1	1.4	1.1
North Carolina	2.9	2.2	1.0	2.5	2.4	1.2
North Dakota	0.7	1.6	2.2	1.4	1.4	0.7
Ohio	4.7	2.0	4.6	5.0	6.4	7.0
Oklahoma	0.6	1.7	3.6	5.2	1.1	6.4
Oregon	5.8	4.4	4.6	4.1	4.2	4.7
Pennsylvania	2.1	5.6	4.2	2.5	4.2	4.5
Rhode Island	1.3	0.9	0.4	1.5	1.5	1.5
South Carolina	1.3	1.1	2.2	2.9	2.3	1.7
South Dakota	0.8	1.3	0.7	2.0	0.5	0.4
Tennessee	2.4	2.1	2.3	2.1	0.6	0.1
Texas	3.2	5.5	8.0	4.9	1.9	1.4
Utah	2.1	2.7	4.3	2.6	0.3	0.2
Vermont	2.5	2.8	0.8	2.4	3.5	2.7
Virgin Islands	3.9	3.6	3.8	4.1	4.3	6.3
Virginia	1.7	2.0	1.9	1.9	2.0	2.7
Washington	7.9	5.4	6.4	5.5	11.2	11.4
West Virginia	0.7	1.3	2.7	1.1	0.5	0.4
Wisconsin	1.9	1.8	1.9	2.1	1.6	0.8
Wyoming	1.3	1.7	1.0	2.5	1.2	0.5

[a]Prior to fiscal year 1983, the Service published separate error rates for the first and second half of each fiscal year. Error rates for these periods have been weighted and an average developed for the fiscal year.

N/A: Not available.
Source: Food and Nutrition Service, USDA.

PREPARED STATEMENT OF HON. BILL EMERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

THANK YOU MR. CHAIRMAN. BEFORE WE BEGIN, I WOULD LIKE TO DISCUSS THE ISSUE OF THE NATURE OF TODAY'S HEARING AND WHETHER THE SUBJECT MATTER IS WITHIN THE JURISDICTION OF THE SELECT COMMITTEE ON HUNGER. WHEN THE SELECT COMMITTEE ON HUNGER WAS FIRST ESTABLISHED, IT WAS MADE CLEAR BY THE SPONSORS THAT THE MATTERS WITHIN ITS JURISDICTION WOULD ENTAIL DOMESTIC AND WORLD HUNGER ISSUES TO PERMIT A BROAD PERSPECTIVE ON THE HUNGER PROBLEM NOT AVAILABLE THROUGH STANDING COMMITTEES. ASSURANCES WERE GIVEN BY THE SPONSORS THAT THE SELECT COMMITTEE'S ATTENTION WOULD FOCUS ON HUNGER ISSUES AND WOULD NOT IMPINGE OR ALTER THE RESPONSIBILITIES OF THE STANDING COMMITTEES.

UP UNTIL THIS HEARING, I HAVE FOUND THAT THE SELECT COMMITTEE HAS generally ADHERED TO ITS CHARGE. ON THE WHOLE THE SELECT COMMITTEE HAS FULFILLED ITS RESPONSIBILITY. THE HEARINGS HAVE RANGED FROM THOSE CONCERNING INTERNATIONAL NUTRITION AND HEALTH ISSUES, FAMINE AND RECOVERY IN AFRICA, HUNGER AMONG THE HOMELESS AND COORDINATION AND SIMPLIFICATION OF DOMESTIC FEDERAL ASSISTANCE PROGRAMS. HOWEVER, TODAY'S HEARING IS ON THE "FARM CRISIS" AND DESCRIBED AS FOCUSING " ON FACTORS CONTRIBUTING TO THE EROSION OF THE ECONOMY AND TRADITIONAL FAMILY LIFESTYLES IN THE FARMING AREAS OF THE UNITED STATES."

THESE ARE MATTERS PROPERLY WITHIN THE JURISDICTION OF THE COMMITTEE ON AGRICULTURE AND HAVE AND ARE BEING ACTIVELY CONSIDERED BY THAT COMMITTEE. ISSUES OF AGRICULTURE POLICY, CROP INSURANCE, RESEARCH AND EXTENSION SERVICES, AMONG OTHERS, ARE REGULARLY DISCUSSED AND DEBATED WITHIN THE FORUM OF THE COMMITTEE ON AGRICULTURE. THE DUPLICATION EVIDENCED BY THIS HEARING OF THE SELECT COMMITTEE IS UNNECESSARY AND INAPPROPRIATE.

MR. CHAIRMAN, I BELIEVE THE ISSUE OF FOOD ASSISTANCE PROGRAMS DESIGNED TO HELP NEEDY INDIVIDUALS AND FAMILIES IS AN IMPORTANT ONE. OF THE MANY ISSUES BEFORE THE 100TH CONGRESS, THIS IS ONE WHICH I FIND TO BE MOST DIFFICULT TO RESOLVE. AS I HAVE SAID BEFORE, DURING THE SEVERAL HEARINGS OUR SUBCOMMITTEE AND THE SELECT COMMITTEE HAS HELD CONCERNING THIS ISSUE OF FOOD ASSISTANCE TO THE NEEDY, I FIRMLY BELIEVE THAT IN OUR NATION OF ABUNDANCE, IT IS A TRAGEDY FOR ONE CHILD OR ONE ELDERLY PERSON OR ANYONE TO GO HUNGRY. WE ARE A GENEROUS COUNTRY - BOTH THROUGH GOVERNMENT PROGRAMS AND THROUGH THE PRIVATE SECTOR.

USDA PROGRAMS ALONE PROVIDE OVER $20 BILLION IN FOOD ASSISTANCE, AS COMPARED TO A LEVEL OF $13.9 BILLION IN 1980. PRIVATE SECTOR CONTRIBUTIONS TO VARIOUS NON-PROFIT ORGANIZATIONS REGULARLY INCREASE FROM YEAR TO YEAR AND APPROACHED $80 BILLION

LAST YEAR. AND YET, THERE IS NO DISPUTE THAT THERE ARE SIGNIFICANT NUMBERS OF PEOPLE IN BOTH URBAN AND RURAL AREAS OF THE UNITED STATES IN NEED OF FOOD ASSISTANCE.

THE FOOD STAMP PROGRAM IS THE MAJOR FOOD AID PROGRAM AND IS ONE THAT HAS GROWN CONSIDERABLY SINCE ITS BEGINNING IN THE 1960's. BY 1980 THE FOOD STAMP PROGRAM COST $9.1 BILLION. BY 1987, IT IS ESTIMATED THAT THE PROGRAM WILL COST OVER $12.6 BILLION AND SERVE MORE THAN 35 MILLION PEOPLE.

OTHER PROGRAMS SUCH AS THE SCHOOL LUNCH PROGRAM AND THE WIC PROGRAM ALSO DEMONSTRATE INCREASES IN EXPENDITURES FROM 1980 TO THE PRESENT TIME. (CHART ATTACHED).

THERE ARE SEVERAL OTHER PROGRAMS AVAILABLE TO NEEDY FAMILIES AS WELL AND THIS PROMPTS A DISCUSSION OF THE ISSUE OF COORDINATION AND SIMPLIFICATION OF EXISTING WELFARE PROGRAMS. THROUGH THE SELECT COMMITTEE ON HUNGER WE HAVE INITIATED A COMPREHENSIVE REVIEW OF THIS ISSUE. IT IS MY BELIEF THAT FOR BOTH PARTICIPANTS AND ADMINISTRATORS ALIKE THE HURDLES THEY MUST SCALE IN ORDER TO ADMINISTER AND TAKE PART IN WELFARE PROGRAMS ARE INNUMERABLE. IT MAKES LITTLE SENSE TO ME THAT A FAMILY IN NEED MUST TRAVEL FROM AGENCY TO AGENCY TO OBTAIN THE BASIC

NECESSITIES. NOR DOES IT MAKE SENSE THAT ONE AGENCY - A COUNTY WELFARE DEPARTMENT - MUST APPLY DIFFERENT RULES TO THE SAME SET OF CIRCUMSTANCES TO ADMINISTER THE AFDC AND FOOD STAMP PROGRAMS.

THE DUPLICATION IN ADMINISTRATIVE STRUCTURES IS IMMENSE. PROGRAMS FOR THE POOR INCLUDE AFDC, FOOD STAMPS, SUPPLEMENTAL SECURITY INCOME, LOW-INCOME ENERGY ASSISTANCE, HOUSING ASSISTANCE, CHILD NUTRITION PROGRAMS, MEDICAID AND TRAINING AND EMPLOYMENT PROGRAMS. THERE ARE AT LEAST FOUR FEDERAL AGENCIES, AND MORE COMMITTEES OF THE CONGRESS, INVOLVED IN JUST THE PROGRAMS I HAVE MENTIONED - AGRICULTURE, HEALTH AND HUMAN SERVICES, LABOR AND HUD. THESE ARE MATCHED AND SOMETIMES EXCEEDED AT THE STATE AND LOCAL LEVELS. I HAVE TO BELIEVE THAT THERE MUST BE A BETTER WAY.

I DO NOT HAVE ALL THE ANSWERS; HOWEVER, I AM CONVINCED THAT THERE IS A SEVERE PROBLEM AND ONE THAT CAN BE AIRED BY THE SELECT COMMITTEE. OVER THE PAST FIVE YEARS CHAIRMAN PANETTA AND I HAVE TRAVELLED ACROSS THE COUNTY HOLDING FIELD HEARINGS. WE HAVE BEEN TO WELFARE OFFICES, HEALTH DEPARTMENTS, HOSPITALS, SOUP KITCHENS, CHURCHES - MANY SITES SERVING POOR PEOPLE. THE NEED IS THERE FOR THE AID AND THE SERVICES AND I TRULY BELIEVE IT IS A CREDIT TO

THE INGENUITY AND RESOURCEFULNESS OF THOSE RUNNING THE PROGRAMS AND THOSE PARTICIPATING IN THEM THAT THE SERVICES ARE DELIVERED.

BY ADDRESSING THESE ISSUES I BELIEVE WE CAN IMPROVE THE SYSTEM WE NOW HAVE TO DELIVER BENEFITS AND SERVICES TO NEEDY INDIVIDUALS AND FAMILIES. PERHAPS THERE IS A BETTER WAY. I LOOK FORWARD TO HEARING FROM OUR WITNESSES AS TO WHAT THEY BELIEVE IS THE BETTER WAY. I THANK YOU MR. CHAIRMAN.

USDA FOOD ASSISTANCE PROGRAMS

PROGRAM	DATE OF ENACTMENT	FY 1980	FY 1987*
		...in million dollars...	
Food Stamps	1962	9,191	12,646 1/
Child Nutrition			
School Lunch	1946	2,104	2,888
School Breakfast	1966	250	454
Special Milk	1955	157	19
Commodities for School Programs, including bonus		944	926
Summer Food	1969	89	128
Child Care Food	1968	214	537
Nutritional Supplements for Women, Infants, and Children			
WIC	1972	736	1,663
CSFP	1969	22	41 2/
Elderly Feeding	1965	72	137
Commodities Donations			
Needy Families	1936	34	56
Charitable Institutions	1973	70	234
Special Food Distribution	1981		1,001
TOTALS		$13,883	$20,730

1/ Includes Puerto Rico block grant data
2/ Includes Elderly Pilot Projects
* FY 87 data reflects budget authority, current law

Source: U.S. Department of Agriculture

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NEWS RELEASE
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HIGHTOWER SAYS FEDERAL ECONOMIC POLICIES CAUSING 'DOWNWARD MOBILITY' FOR MAJORITY OF AMERICANS--CALLS FOR NEW TOOLS TO HELP REGENERATE U.S. RURAL ECONOMY

FOR IMMEDIATE RELEASE
Wed., June 24, 1987

(WASHINGTON, D.C.)--Texas Agriculture Commissioner Jim Hightower said today, "Hunger is a growing reality throughout our country, but it is a symptom of an even larger, more complex problem--a spreading economic depression that not only is holding lower-income families down, but also is pulling middle-class families down into poverty."

Hightower made the comment in testimony to the House Select Committee on Hunger's Task Force on Domestic Hunger, chaired by Representative Leon Panetta of California. Representative Mickey Leland of Texas chairs the full Select Committee.

Joining Hightower in presenting a Texas viewpoint to the Task Force was Ollie Williams, a founding member of the Hempstead Small Farmers Cooperative. The co-op, organized in 1984 with assistance from the Texas Department of Agriculture, consists of a group of Black farmers who market their previously-unsold watermelon to over 100 Kroger Co. grocery stores in the Houston area.

Williams testified on the inherent problems of being a Black farmer, on the economic depression that is crushing rural people, and on cost-effective ways to re-invest in the enterprise of Black farmers so they can generate new economic growth in their areas.

The hearing was on the topic "Farm Crisis: Growing Poverty and Hunger Among America's Food Producers."

"The highly-touted economic 'revolution' wrought in Washington since 1981 has produced little more than economic 'devolution' for small business, farmers, working families, entrepreneurs, wildcatters and others who traditionally have been the driving force of American productivity and progress. The Reagan Administration congratulates itself almost daily for having generated an 'economic boom'--but a boom for whom? Wall Street is whizzing, but its profiteering is based on paper shuffling rather than productive enterprises.

Our nation's capital is chasing its own tail, as conglomerate executives spend hundreds-of-billions of dollars each year to buy out other conglomerates, without generating any new jobs, new products, new productivity or new wealth. Conglomerates, coupon-clippers and the upper-crust of society are spinning money around at a furious rate, but economic stagnation and disintegration are overwhelming us out here at the grassroots, where a majority of Americans are facing downward mobility for the first time in more than half a century," Hightower said.

"Those recently caught up in this downward spiral in Texas include people who had owned retail shops along the Mexican border, Panhandle farmers who had a positive cash flow, Gulf Coast workers earning good union wages from jobs at chemical plants, families in the Trans-Pecos who had steady work in the oil patch, and white-collar workers in big-city financial institutions.

"The lack of adequate food is no longer just an isolated phenomenon affecting some pockets of hard-core welfare families, destitute senior citizens and a few wandering derelicts. The struggle to find enough food to meet the daily needs of the family now is a struggle that also has come into the homes of people who had no trouble putting dinner on the table back in 1980. These days, we must do more--not less--to reach out to those who do not have the income to meet basic food needs.

"We have proven programs that must not be short-changed--Food Stamps, Women-Infant-Children, School Breakfast and Lunch, Head Start, Meals-on Wheels, Senior Nutrition, Aid to Families With Dependent Children, etc. Unfortunately, the need is greater than ever," Hightower said.

"With poverty rolls increasing and hunger lines lengthening, it is imperative that we 'shore-up' the benefits of these proven food assistance programs--benefits which the Reagan Administration has allowed to erode during the past six years. One first step would be provisions such as those proposed for the Kennedy-Panetta Hunger Relief Act: restore food stamp eligibility requirements to 1981 levels; expand participation in the WIC program; and include summer school students in the School Lunch Program.

* * * * *

"The old-poor, the new-poor, and the near-poor are in need of immediate help at a time that Washington is washing its hands of them. And our overall economic health is deteriorating, at a time that Washington is shifting its budgetary and program priorities away from encouragement of productive new

enterprises and into such non-productive bureaucracies as the military and conglomerate mergers.

"Consider the rise in poverty rolls. In 1980, nearly 15 percent of the Texas population lived below the poverty level, which added up to some 2,141,000 people. In 1986, the number had risen to 3,067,000 people, or 18.8 percent. This is a downward movement of approximately 926,000 Texans into official poverty status. That's a number of newly-poor that exceeds the population of Dallas.

"Seven years ago 896,000 Texas households, or 18.3 percent of all households in the state, had an income below the poverty level of $13,848 for a family of four--the indicator used to determine eligibility for food assistance. By 1985, the number was 1,286,100 households, or 22 percent of all Texas families.

"If the poverty rate among all Texans was equivalent to that of rural Texans, the situation would be considerably worse," Hightower said. "In 1980, 1,687,500 rural Texans, or 23.3 percent, lived in poverty. Two years ago 28 percent of all rural households were below the food assistance level. While rural areas account for 44 percent of the state's households, they account for 55 percent of the households below the poverty level. This is consistent with national patterns.

"As recently as last month, the jobless rate in Texas was the highest of the 10 most populous states and was 2.1 percent above the national average. There were 373,000 unemployed Texans in 1981. In May 1987, there were 733,000 unemployed Texans, nearly a 100 percent increase. At the same time, rural unemployment has consistently exceeded urban unemployment by four to seven percent," Hightower said.

* * * * *

"Since 1981, over 43,000 good Texas farmers and ranchers have gone out of business. Last year alone, we lost over 14,000 full-time commercial operators; this year, the American Bankers Association estimates Texas will lose 172 agricultural families each week," Hightower said. "Farm failures in Texas are already up by 300 percent in the first four months of 1987, when compared to the same period last year.

"This is no 'natural shakeout' of the weak. Overwhelmingly, these were the fully-modernized, full-time commercial operators who have achieved the economies-of-scale and efficiencies necessary to make it. But a national farm

program that has deliberately busted U.S. farm prices has put an intolerable debt load on the backs of our nation's independent producers. Federal farm legislation has broken the price structure of most major storable commodities that the U.S. produces, lowering some prices by half.

"On average, a farmer who goes out of business leaves $77,000 worth of unsecured debt in the community. The Joint Economic Committee (JEC) reports that, for every five to seven farms lost, one Main Street business closes down, meaning that nationwide about 40 to 50 such businesses close their doors every day. In towns with fewer than 1,000 people, retail sales have dropped by 32 percent since 1980. They've dropped by 17 percent in towns of 2,500 to 5,000 people. The JEC reports that Nebraska can expect to lose 500 small towns well before the year 2000.

"We've lost the seed and feed dealers. We've lost farm equipment dealers, too. Over 2,300 farm equipment dealers in this country have shut down since 1981. What was an $11.7 billion industry in 1979 is generating only $4.5 billion this year. Sixty-eight thousand United Auto Worker members, over 63 percent of those employed in farm implement plants, have been laid off since 1981.

"In Texas we've already lost 31 banks this year--more than any other state--after losing 26 last year. Between 1983 and 1985, the number of agricultural banks at which past-due and nonperforming loans exceeded bank capital increased by 215 percent, compared to a 20 percent increase among non-agricultural banks. Two-thirds of all agricultural counties are served only by banks making agricultural loans--the financial institutions which are in the most serious economic trouble. Over 500 low-income rural counties have no federally chartered savings-and-loan institutions.

"Minorities in rural America have been especially hard-hit. Minority landowners are losing their land at over twice the rate of their white counterparts. They have greater difficulty in many areas securing loans, and the Black farmer driven off the land has just two-thirds the chance of the white farmer of finding other employment.

"Simply stated, we have a full-scale depressing in rural Texas.

* * * * *

"This deepening and spreading depression in rural Texas has generated a hunger crisis of major proportion across our state," Hightower said.

"Emergency food distributors surveyed reported 3.6 million requests for food in 1986, a 108 percent increase since 1984. Six food banks serving rural Texas counties distributed 8,700,000 pounds of food in 1986, or approximately 10,873,000 meals. These food banks reported that demand was at least twice what they could serve, and in some areas exceeded their capacity by six to twelve times.

"For example, the Concho Valley Food Bank in San Angelo serves 14 counties. In 1984, it distributed 51,000 pounds of food. In 1985, it distributed 168,000 pounds; in 1986, distribution increased to 582,000 pounds; and it expects to distribute over one million pounds of food this year. Still, the organization's executive director reports that the Food Bank will meet less than half of its actual demand.

"Similarly, the High Plains Food Bank of Amarillo, serving 29 counties through 160 organizations, distributed 250,000 pounds of food in 1982 and one million pounds in 1986. Monthly averages for 1987 are already twice those of last year, but are still less than half what is really needed to meet the demand. The South Plains Food Bank of Lubbock, serves 19 counties. Today it reports serving four times the food it did in 1984. The Permian Basin Food Bank is serving 700,000 pounds of food this year, compared to 420,000 pounds in 1984. It reports needing two or three times that amount," Hightower said.

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"At a time when emergency food assistance is direly needed--especially in rural Texas--the federal government chooses to reduce the services it provides. While the number of Texans receiving food stamps has increased slightly in recent years, the percentage of those who are eligible who actually receive benefits has declined sharply.

"In 1986, 1.4 million Texans received food stamps, including 801,400 rural Texans. In February of this year, 1.5 million Texans were receiving food stamps. However, while nearly 42 percent of those who were eligible received stamps three years ago, barely 30 percent of those eligible receive benefits today.

"Nor do Texans fare much better with other types of food assistance. Even with increased WIC funding by the state in 1985, only 22 percent of those actually eligible were served--the same percentage as in 1984. (Forty-six Texas counties do not even participate in the WIC program.) In 1986, the number of applications for AFDC benefits in Texas increased by 15.4 percent over 1985.

Unfortunately less than 25 percent of the children eligible for AFDC coverage actually received benefits.

"The Texas Department of Human Services reports that its combined food assistance programs reach only 12 percent of all Texans. Yet, nearly 20 percent of all Texans are living below the poverty line. Seven of the ten leading causes of death in Texas are linked to malnutrition. The infant mortality rate in Texas was 11 percent in 1983--and rising," Hightower said.

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"The Texas Department of Agriculture per se is not a hunger agency. We have no line-item appropriation for fighting hunger. But there are real ways that we can contribute to this essential cause, using existing staff and resources. These include:

1. Transportation: There is a large amount of food available that never reaches food banks and hungry people because of transportation problems. TDA can assist in the transportation of fresh and processed commodities several ways. For example, TDA can coordinate with farmers who have produce to donate and truckers who voluntarily can back-haul produce to food banks around the state. TDA's role will be to get farmers and truckers together.

2. Legislation: TDA is working with members of the state legislature to pass "gleaning" legislation that protects farmers from liability and allows church and non-profit groups to gather excess produce from farmers' fields.

3. Coordination: TDA will help locate farmers who will allow their fields to be gleaned, and will link-up farmers who sell at local farmers markets and through wholesale co-operatives with Food Banks.

4. Food Stamps: TDA will assist distressed farmers in applying for food stamps and other assistance. TDA will also work to make food stamps redeemable through farmers markets.

5. Community Gardens: TDA will work with Texas A&M Extension Service and others to develop and promote a network of community gardens across the state.

6. Marketing: TDA will help establish farmers markets in low-income areas so that these consumers can purchase top-quality produce at fair prices. TDA will also work to link individual farmers and farmer co-operatives with nutrition centers.

"However, it remains essential for the long run that we have a grassroots economic development plan that allows poverty-stricken families to return as productive members of our Main Street economy. People do not want to remain dependent on food stamps and other forms of welfare assistance. Farmers and farmworkers alike want to work. Steel workers and chemical worker want jobs, not handouts. Small business people along the Rio Grande only want the opportunity to open their doors and compete," Hightower said.

"Long term economic development is an area where the Texas Department of Agriculture has done pioneering work. Sure, agriculture today is a big problem spot for our economy, but it can become a major solution for our economic needs tomorrow if we nurture it wisely.

"For the last four years, TDA has helped Texas agriculture expand into the diversification of new alternative crops, the establishment of more direct market sales outlets for producers, and the addition of new value-added food and fiber processing facilities. Presently, TDA is assisting with the development of 62 diverse agricultural processing projects across Texas, involving a capital investment of over $213 million. When completed these 62 projects will create over 5,000 new jobs and will have first-year sales of $582 million.

"We know that a grassroots economic development program will work," Hightower said, "because we already have dozens of these flowers blooming across Texas in new ventures in which TDA has had a hand.

"Our economic future doesn't rest solely with some high-cost, high-tech, pie-in-the-sky deal with national conglomerates. As policymakers and as working people, we've got to put our faith and our energy and our resources into here-and-now, hands-on, grunt-level economic development programs that build at the grassroots, working with small businesses, unions, dirt farmers, entrepreneurs, cooperatives, wildcatters and other enterprising folks to create hundreds of new businesses, thousands of new jobs, and billions of dollars of new income.

"The experience that we have in Texas can be applied to a national level through some new federal initiatives for economic growth. The goals of these programs would be to invest in the genius of the majority rather than in the greed of a few. These modest steps to lend a helping hand to agriculture include:

1. CROP INSURANCE: New authority should be established to provide insurance for the growing and cultivation of alternative crops. This requires new criteria and a greater degree of flexibility in extending insurance to crops without established histories in particular counties, regions, and states.

2. PRODUCTION FINANCING: Specific authorization should be granted to the Farmers Home Administration to make loans to farmers and ranchers for the purpose of producing alternative crops. Authority to enter into multi-year loan commitments should be included.

3. SMALL ENTERPRISE FINANCING: Development of viable industries based on alternative crops requires the creation of the necessary infrastructure, especially processing and marketing facilities. Financing that is targeted to producer-owned and operated businesses (both start-up and expansion) is needed. In addition, financing for new technology prototype development should be made available. Direct

loans and loan guarantees with reduced interest rates and flexible terms need to be offered through the Farmers Home Administration, National Rural Development and Finance Corporation, or through any other mechanism appropriate to rural development.

4. RESEARCH: New appropriations need to be earmarked for research on the production and marketing of alternative crops. This includes expanded and targeted budget authority for the Agricultural Research Service and for programs at the Experiment Stations of Land Grant Colleges.

5. OUTREACH: Increased appropriations need to be made available for the new program, Appropriate Technology Transfer to Rural Areas (ATTRA), which will be important in disseminating alternative crop production and marketing techniques nationwide. New alternative crop programs need to be developed within the Extension Service.

6. MARKETING: The current Federal State Market Improvement Program (FSMIP) needs to be expanded to enhance innovative state efforts to develop new markets for alternative crops.

"What America needs is not a trickle-down economy, but a percolate-up economy--creating a broad foundation of small-scale,enterprises on which communities can grow for years to come," Hightower said.

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PREPARED STATEMENT OF BOB BERGLAND, EXECUTIVE VICE PRESIDENT, NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. Chairman, my name is Bob Bergland. I'm Executive Vice President and General Manager of the National Rural Electric Cooperative Association (NRECA). NRECA represents the legislative interests of 1,000 rural electric systems, most of them cooperatives, which provide electric service to more than 25 million people in the rural areas of 46 states.

I appreciate the opportunity to appear before the Committee to present the views of the leaders and membership of rural electric program regarding our concerns with the economic conditions of rural America. I wish to express, again on behalf of our membership and for myself, our appreciation for the Committee's interest in the state of the rural economy.

The news from rural America is not good. I don't have to remind you of that. We in the rural electric business see this reflected in the fact that approximately one-third of our rural electric systems actually lost consumers last year.

Let me quote chapter and verse for a minute:

* The nonmetropolitan unemployment rate in rural areas in 1985 averaged 9 percent. That's about 2 points higher than the metropolitan rate.

* In the most recent period of economic recovery, the nonmetropolitan rate has fallen much more slowly than the metropolitan rate, and the situation might be worse than the figures say because we may not be including those who are under-employed, those who have exhausted their unemployment benefits and those who have just flat out given up because they can't find work.

* The nonmetropolitan poverty rate was 18.3 percent in 1985, compared to 12.7 percent for the metropolitan areas. During the recent recovery, the metropolitan rate improved. The nonmetropolitan rate has not.

* Only one-tenth of the nation's population resides in rural America, yet we have thirty-eight percent of the nation's poor ... that is a disproportionate percentage.

* Sixty-seven percent of the nation's substandard housing is in rural areas, and that's way out of line compared to the relatively smaller population of the rural areas.

According to USDA 1985 data, there are 2.3 million farms in rural America. When you delve behind the figures, however, it quickly becomes apparent that there are farms ... and there are farms. At the top of the income scale, the 27,000 largest and most successful farms had 1985 net incomes averaging $640,000 per farm. This group -- a mere 1.2% of the total number of farms -- accounted for 55.3% of net farm income in 1985.

During that same year, however, at the other end of the spectrum were 1.6 million farms (70% of the total number of farms) that experienced an average net loss of $2,790 on farming operations. Economic survival for these families was possible only because of the availability of off-farm income, averaging $20,740 per household in 1985.

What we have, therefore, is a very small number of very large farms with strong asset bases and sufficient income to ride out the inevitable bad times in the agricultural economy and marketplace -- and, a very large number of small farms which depend on full-time job income to supplement their farming income or to offset their farming losses.

This leaves about 600,000 farms which are too big to allow the operator to hold down a full-time job in town, but not big enough to achieve the structural economies and financial strength to qualify as "agribusinesses." Of these 600,000 farms, about one-third are debt-free; a second third have some debt, and the remaining are debt-ridden farms that won't make it at all unless there's a turnaround in the farm economy. These "inbetweeners" who are caught in the financial squeeze include 323,000 farms which averaged only about $6,500 in net farm income in 1985, and $10,350 in non-farm income. And because they tend to be "barely breakeven" operations in relatively good years, these are the farms that are being squeezed out of existence by the farm price depression plaguing much of America's agricultural heartland for the past several years.

According to a report by USDA's Economic Research Service, the current financial distress among farmers, farm lenders, and farm-based communities and regions is rooted in the inflationary conditions of the 1970s and exaggerated expectations of worldwide demand for farm products. These excessive expectations have made it extremely difficult or impossible for many farmers to adjust to the radically different economic conditions of the 1980s.

American agriculture has played a pivotal role in the Nation's economic development, but when these family farms go down, their communities will go down too, and like a pebble in a pool of water, the rest of the nation will feel the effects.

The state of the rural economy is not apt to change soon. Let me backtrack for a few minutes and attempt to summarize what has led us to where we are right now.

Where I grew up in northwestern Minnesota, farmers were independent and fiercely proud. They didn't depend on anyone but themselves and their religious beliefs. They didn't depend on the Saudi Arabians to provide them with oil or the Russians to buy their grain.

Times have changed.

When I was a member of Congress serving on the Science Committee in 1973, a parade of witnesses told us that OPEC would amount to nothing. Oil was $1.38 a barrel at the time.

Within a year, OPEC had shut down the wells and had brought the American public to its knees.

And American agriculture was hard hit. American agriculture runs on oil. Approximately 6 percent of the energy consumed in the United States is devoted to agricultural production and in particular, the total food system, i.e., its production, processing, preparation, transportation, marketing. The energy used is generated mostly by oil, oil that is becoming more scarce and that is subject to controls by foreign suppliers.

Another factor contributing to our present dilemma occurred in 1972, when the Soviet Union decided to change its import policies. Up until that time, when the Russians had a bad crop, they simply tightened their belts and hunkered down.

Until 1972, the Russians would simply ration when times got tough. But then, the Russian government changed and its policies changed.

They had a bad crop, but they were able to prevent the United States from knowing about it. They sent 12 buying teams to the U.S. in July 1972 to deal with 12 separate grain companies, quietly and secretly.

In a matter of a few hours, the Russians bought up the world's reserves of wheat.

Still another factor that adds to the mix is the growing agricultural proficiency of former importing nations . . . India, Egypt, Brazil, Mexico, China . . . even Bangladesh and Pakistan have surpluses.

The reason is that governments are advocating food policies which encourage their own producers to produce, whether or not it is economical, for reasons of national security.

And so, the world's farming economy is going through a major, major change because of the march of high technology and advancements of agricultural research. There's nothing we can do to stop it. The fact is that American agriculture is caught in a set of circumstances that is beyond the control of our government or anyone else.

And American farmers have paid a terrible price, particularly the family farmers.

We must acknowledge that American agriculture and the rural economy is going through a period of profound, wrenching change, that people are hurting, and that for many of them, it looks like there's no way out.

Now, that's a pretty bleak picture of rural America. It will stay that way unless we figure out how to diversify economic activity in these areas.

Farming can no longer be the only engine to drive the rural economy. Although the transition to a more diversified economy will be difficult, in order for people to be able to remain in rural areas, we must have jobs and services and housing and adequate public facilities. And there must be opportunities for rural people to work at a steady job for a fair wage.

What this age calls for is another of those bold, powerful strokes of the pen that Franklin Roosevelt used when he created the REA.

We've had what we thought were some bold ventures in the past. Many of them didn't work. We have industrial parks in rural areas built with federal assistance and promising employment and economic activity ... and they grow grass.

There are other federal programs that have been equally ineffective.

There's a reason . . . and the reason is this.

Those programs are administered in Washington, D.C., by Washington, D.C. rules, by Washington, D.C. people who have no understanding of the needs and opportunities available in the countryside.

Let me give one small example, Mr. Chairman. A farmer in rural Iowa or Nebraska or Kansas may have, on paper, what appear to be valuable assets. Thus, when a Washington, DC Administrator looks at these paper assets, he determines that the farmer is not eligible for food stamps. In fact, the paper assets are not cash, and the farmer cannot, in fact, buy food for his family. That's just one example. There are others.

We need to change all that. I was privileged to be able to testify before Senator Patrick Leahy's Senate Agriculture Committee a month or so ago, and I made some suggestions on how we might change things.

The first thing we have to do is make a policy decision that puts the local community at the top of the program, not the bottom. The reason the rural electrification program has worked so well and been so successful is that the program, while it is ostensibly a federal program, is essentially a local program. The rural electric program is locally implemented and rural electric cooperatives are locally controlled and locally operated. They are specifically responsive to their community's needs, and they have the flexibility to change when they must.

It is essential that any rural development programs of the federal government incorporate the same kind of federal-community partnership that has made rural electrification so successful. This same relationship is absolutely critical if federal rural economic development programs are to be effective.

We have to make another policy decision, too. We have to decide to consolidate and simplify federal rural development programs.

One reason federal programs are not successful in rural areas is that small, rural communities with volunteer town officers and no staff to speak of don't have any way to get access to the very programs that could help them. They don't know who to call first, and even if they figure that out, they don't know what to ask and they don't have the time or the inclination to get through the inevitable and interminable paper chase necessary to qualify for loans or grants and then carry out programs.

When a community can't get any help from the government, someone gets the bright idea that the road to economic salvation is to recruit new industry. And so, they start down that road. And they find that they're competing with 25,000 sophisticated, street smart organizations trying to bait a pitifully few industries to relocate in their areas. Well, it doesn't work. And it's probably just as well it doesn't, because it's just not a good idea in the first place.

That's why those of us in the rural electric business don't put a lot of stock into large scale relocation of industry into the countryside.

Hence, the nation's 1,000 rural electric systems have pledged to do all they can to bring about the kinds of changes needed to create a bright new future for our rural and agricultural communities.

Rural economic development is the number one, primary goal of rural electric cooperatives, Mr. Chairman.

Rural electric systems since the early 1960s have participated in programs and projects that have resulted in the creation of about a million new jobs in rural areas. That's a tradition in the rural electric family.

It's a tradition we want to build on.

Our rural electric systems are cooperatives. That means they're owned by the people they serve. In many areas of the country, those people are hurting because they're poor, they don't have jobs, they don't have good housing, they don't have opportunity and they've lost hope. We want places for our young people to work and build careers in the community.

We're doing this because our members are our owners, not to mention our friends and neighbors and teachers and preachers and barbers and mechanics.

We have undertaken a bold new commitment to make rural areas more attractive to businesses and industries, but more significantly, our focus will be directed towards the development of existing industries, and facilitating the expansion of existing shops, factories and other business that are already in our service areas.

What we're looking at here is two jobs here, four jobs there . . . by the thousands, realistic economic development that works.

In 1985, we began a very ambitious effort to gather and analyze basic economic and demographic data about the areas served by rural electric systems. Our studies have convinced us that there is a need to build upon an "industrial extension service," one that provides existing industries with assistance in marketing, obtaining finance and clearing the bureaucratic hurdles to develop the kind of sharply-focused, locally-customized strategies that will be required to effect an economic turnaround. Other studies have concluded likewise: that the largest source of employment growth in most areas is the expansion of existing firms. And, the often repeated "80 percent of new jobs comes from the growth of existing firms," may in fact be an understatement.

Our rural people who operate small businesses are back-shop smart. They can run the welders, the drill presses and the lathes and get the products made. It's marketing, finance and other matters that doom them, and an industrial extension service modeled on the concept we're suggesting would help them immensely.

Let me touch on a few of the national efforts which NRECA has spearheaded in this past year, efforts which have led rural electric cooperatives to:

Sponsor local "health fairs" to screen large numbers of rural Americans for early signs of disease or disability and to provide them with information on who to live healthier lives;

Join the NRECA-sponsored National Rural Telecommunications Cooperative (NRTC), a group that will direct the development of satellite-based services for consumer, educational and rural utilities business applications;

Focus new initiative on economic development programs in rural areas. For example, hundreds of co-ops are making use of a "how-to" manual on economic development compiled and disseminated by the NRECA staff. The manual is designed to provide community leaders with information on matters such as promoting job creation from existing local business and industry, attracting new employers to the community, improving a community's potential as a location for economic investment, and preparing an economic development plan.

Any economic initiatives developed for rural areas should not go forward, however, without a soul-searching look at the role of farms and farming in the rural economy.

I was struck by an editorial in the Des Moines Times-Register which asserted some reasonable, workable objectives which should guide federal policy in agriculture. Let me state them:

To maintain a stable supply of food at reasonable prices

To permit moderate-sized farm family farms to survive by preserving an income safety net geared to modest production, but without the disproportionate rewards for big farms;

To give rural communities a better chance to prosper in the future by sustaining a rural population and by targeted economic development;

To keep U.S. agriculture internationally competitive, efficient and innovative.

These seem to make sense. Let me quote just a couple more sentences from the editorial: "There are no magic formulas or brand-new ideas to achieve these goals. Nor is there any perfect farm policy. But a better farm policy is clearly possible." We have decried the lack of markets for American agriculture, and it is true that the traditional markets simply aren't there anymore, for the reasons I mentioned earlier.

That does not mean, however, that there is no market for American goods. There, in fact, is, and it is the developing nations, particularly in the tropics.

Our export opportunities are going to be in the tropics because they can't grow the same kinds of crops we grow here in the moderate climates. The leaders of the tropical countries want more chicken, more pork, or more fish. To do this, they need feed, they need breeding stock, they need the various technologies that are available in the United States.

I think we are going to see growth in a north/south trading pattern. It will go from the northern hemisphere to the tropics and vice versa. We need to spend more time focusing our national public policy on those huge tropical countries that have large populations and who want to improve the variety of their diet.

There are, no doubt, other opportunities to identify and target specific markets for American agricultural products. It will take time. It will take government assistance. It will take immense dedication and perseverance.

Despite the current dismal outlook for the sale of American agricultural products abroad, there is hope.

Mr. Chairman, I read in the newspaper just this week that we exported log homes to Japan. There are other ways to be innovative and tap other such markets.

I am aware that the Committee is concerned with the issue of hunger. I am further aware that there are many short-term approaches to the alleviation of hunger, in both urban and rural areas, than I have suggested today.

However, I am convinced, and our membership is convinced, that the long-term alleviation of poverty, substandard housing, unemployment and hunger in rural areas is rooted in the diversification of the rural economy, the creation of jobs -- one at a time, two at a time, three at a time -- and the upgrading of facilities and technical advice available to rural businesses. And, Mr. Chairman, rural electric systems are an integral part of the rural communities we're talking about. They have roots: they'll be there one, two and fifty years from now. They have a vested interest in improving life in their communities, and, I can assure you, we're in this economic development effort for the long haul.

I'd be happy to answer any questions. Thank you.

RESPONSES TO QUESTIONS FOR ROBERT BERGLAND

QUESTIONS SUBMITTED BY HON. MARGE ROUKEMA

Question. You have said that "our export opportunities are going to be in the tropics" and that "we need to spend more time focusing our national public policy on those huge tropical countries."

Many of those tropical countries are very poor. How do we develop policies that will allow them to purchase our agricultural products?

Answer. American agricultural abundance has been used in the past to stimulate development in the lesser developed countries. These programs started with the Marshall Plan after World War II and developed into the Public Law 480 programs which exist in a limited way at the present time. A new Marshall type plan with U.S. leadership could once again play a vital role in stimulating economic development in this Third World.

One of the essential components of development is providing electric service in the rural areas. NRECA through A.I.D. provides the expertise to establish electric cooperatives in many countries patterned after the rural electrification experience in this country.

Question. Many of those countries have severe foreign debt problems. Has your organization addressed this issue of how the American Government and American banks should deal with this—primarily Latin—debt?

Answer. The only experience NRECA has with the debt problem in the Third World is through the establishment of the electric cooperatives. This experience indicates that a well planned long term economic development program is the only possibility of these countries ever paying off their debts.

PREPARED STATEMENT OF AUGUST SCHUMACHER, JR., COMMISSIONER, MASSACHUSETTS DEPARTMENT OF FOOD AND AGRICULTURE

MR. CHAIRMAN, DISTINGUISHED MEMBERS OF THE COMMITTEE, IT IS A GREAT PLEASURE FOR ME TO APPEAR BEFORE YOU TODAY - THE FIRST TIME I HAVE HAD THE HONOR OF TESTIFYING BEFORE MEMBERS OF THE HOUSE OF REPRESENTATIVES.

TODAY I WILL BE REVIEWING SOME OF THE MODEST EFFORTS WE ARE MAKING IN MASSACHUSETTS TO PROVIDE LOWER INCOME FAMILIES AND ELDERLY PEOPLE BETTER ACCESS TO THE FRESH, HIGH QUALITY FOODS WE PRODUCE IN THE BAY STATE.

CURRENTLY, WE HAVE FOUR APPROACHES:

1. WE ARE TARGETING FARMERS" MARKETS TO NEEDY INNER CITY NEIGHBORHOODS.
2. WE ARE DISTRIBUTING "MASSACHUSETTS FARMERS MARKET COUPONS" THIS YEAR TO 10,000 INNER CITY, LOW-INCOME MOTHERS AND NUTRITIONALLY AT-RISK ELDERLY PEOPLE IN THOSE TARGETED NEIGHBORHOODS.
3. WE ARE ENCOURAGING FARMERS TO DONATE SURPLUS AND UNNEEDED PRODUCE TO FOOD BANKS, HOMELESS CENTERS AND SOUP KITCHENS, PARTICULARLY AT CLOSE OF FARMERS' MARKETS.
4. WE ARE EXPANDING SUPPORT FOR COMMUNITY GARDENING THROUGH THE LEASING AND ALLOCATION OF SURPLUS LAND, AND BY DISTRIBUTING FREE SEEDS AND FRUIT TREES TO INNER-CITY RESIDENTS.

BEFORE REVIEWING EACH OF THESE EFFORTS, I WANT TO PLACE THEM IN THE CONTEXT OF OUR OVERALL STATE FOOD AND AGRICULTURAL POLICY. DURING GOVERNOR DUKAKIS' FIRST TERM IN THE MID-1970's, HE AND MY PREDECESSOR, FRED WINTHROP, DEVELOPED A COMPREHENSIVE FARM-AND-FOOD POLICY FOR THE STATE. MANY OF THE POLICIES IN

THIS REPORT HAVE BEEN IMPLEMENTED SUCCESSFULLY. TODAY THAT POLICY HAS FOUR MAJOR COMPONENTS:

1. TO EXPAND THE STATES' FARMLAND PRESERVATION AND FARM LEASING PROGRAMS.
2. TO BROADEN OUR AGGRESSIVE AGRI-MARKETING EFFORTS.
3. TO IMPROVE OUR PESTICIDE, COMPOSTING AND OTHER ENVIRONMENTAL MANAGEMENT EFFORTS.
4. TO BOLSTER OUR FOOD PROCESSING INDUSTRY THROUGH CREATIVE PUBLIC-AND-PRIVATE FINANCING.

THIS DECADE-LONG STATE EFFORT TO SUPPORT OUR FARMING AND FOOD PROCESSING SECTORS HAS RESULTED IN A MODEST INCREASE IN FARM NUMBERS, A STRONG EFFORT AT DIVERSIFICATION AND AN INVESTMENT OF SOME $250 MILLION OF STATE FUNDS AND LOAN MONIES IN THE FARM-AND-FOOD SECTOR.

AS A RESULT, WE HAVE ESTABLISHED AND AGRICULTURE IN MASSACHUSETTS WHICH IS MORE SENSITIVE AND RESPONSIVE THEN EVER TO THE FOOD NEEDS OF OUR PEOPLE, PARTICULARLY THOSE AT THE LOWER END OF THE INCOME SPECTRUM.

NOW, I WOULD LIKE TO FOCUS ON SOME OF THE EFFORTS WE ARE MAKING IN OUR DEPARTMENT TO HELP FARMERS HELP THEMSELVES, WHILE ALSO ALLEVIATING SOME OF THE NUTRITIONAL PROBLEMS IN OUR STATE.

FIRST: TARGETED FARMERS MARKETS. AS SUPERMARKETS PULLED OUT OF OUR INNER CITIES, RESIDENTS SAW THEIR FOOD COSTS CLIMB AS THEY HAD TO WALK, DRIVE, OR TAKE TAXIS OR PUBLIC TRANSPORTATION ELSEWHERE TO BUY THEIR FOOD. MANY OF THEM HAD NO CHOICE BUT TO BUY THEIR FOOD FROM LOCAL, HIGHER-PRICED CONVENIENCE STORES.

STARTING IN 1978, THE DEPARTMENT OF FOOD AND AGRICULTURE BEGAN TO RE-INVIGORATE EXISTING FARMERS MARKETS AND TO TARGET NEW FARMERS MARKETS TO

LOWER-INCOME, INNER-CITY AREAS. WE NOW HAVE NEARLY 60 FARMERS' MARKETS IN 40 CITIES AND TOWNS. SOME 600 FARMERS ARE SELLING IN THESE MARKETS. THIRTY OF THESE MARKETS ARE LOCATED IN INNER-CITY AREAS OF MAINLY LOW INCOME FAMILIES. WE PLAN TO INCREASE FARMERS MARKETS TO 100 BY 1990, WITH THE MAJORITY TARGETED TOWARD AREAS WITH PRIMARILY LOW-INCOME FAMILIES.

SECOND: FARMERS MARKET COUPONS. IN 1986, THE FEDERATION OF FARMERS' MARKETS, WORKING WITH MY DEPARTMENT AND OUR DEPARTMENT OF PUBLIC HEALTH, DEVELOPED A SMALL PILOT PROGRAM TO PROVIDE WOMEN, INFANTS AND CHILDREN PROGRAM RECIPIENTS WITH MASSACHUSETTS FARMERS MARKET COUPONS. NEARLY 2,000 SUCH FAMILIES RECEIVED TEN ONE-DOLLAR COUPONS REDEEMABLE ONLY AT FARMERS' MARKETS IN BOSTON, QUINCY, WORCESTER AND HOLYOKE. THE AVERAGE FAMILY REDEEMING THEIR COUPONS RECEIVED NEARLY 40 LBS. OF FRESH FRUITS AND VEGETABLES, AND SPENT ADDITIONAL FOOD STAMPS, AS WELL AS THEIR OWN MONEY.

IN THE TRIAL PROGRAM, THE PARTICIPATING FARMERS OFTEN MANAGED TO GET A 25% INCREASE IN GROSS SALES ATTRIBUTABLE TO ATTRACTING NEW LOWER INCOME CLIENTS TO THEIR MARKETS. SOME 60 FARMERS BENEFITED.

FOR THIS YEAR, THE MASSACHUSETTS SENATE HAS INCLUDED $68,000 FOR THIS PROGRAM, AND WE'RE HOPEFUL THAT OUR HOUSE OF REPRESENTATIVES WILL CONCUR. WITH FOUNDATION SUPPORT AND ADDITIONAL FUNDING, SOME 10,000 OF THE 67,000 CURRENT WIC FAMILIES IN THE STATE WILL RECEIVE COUPONS FOR SHOPPING AT FARMERS' MARKETS.

WE ARE THUS EXPANDING THE PROGRAM TO TEN CITIES AND HOPE TO BENEFIT OVER

150 SMALL FARMERS SELLING IN THESE MARKETS. WE EXPECT THE $100,000 IN COUPONS TO PROMOTE SALES OF SOME $200,000 AT THESE MARKETS.

THIRD: "FARMERS FEEDING PEOPLE". THE DEPARTMENT IS SUPPORTING THE DISTRIBUTION OF SURPLUS FOOD FROM FARMS AND FARMERS' MARKETS TO HOMELESS CENTERS AND SOUP KITCHENS. AT THE END OF THE SELLING DAY, A NUMBER OF FARMERS SELLING AT FARMERS' MARKETS DO NOT WISH TO RETURN TO THE FARM WITH PERISHABLE ITEMS. THEY HAVE DEVELOPED A "FARMERS FEEDING PEOPLE" PROGRAM IN WHICH SOUP KITCHENS COME TO THE MARKET AND PICK UP SURPLUS FOOD DONATED BY FARMERS. THIS PROGRAM STARTED AT THE QUINCY FARMERS' MARKET AND IS SPREADING TO OTHER MARKETS.

A VARIATION ON THIS APPROACH IS THE FARMERS' MARKET SENIOR-CITIZENS DISCOUNT CARD DEVELOPED BY FEDERATION OF FARMERS' MARKET PRESIDENT GILBERT GRIGGS. GIL, A PROMINENT LOCAL FARMER, IS HAVING SOME 3,000 DISCOUNT CARDS PRINTED FOR DISTRIBUTION TO SENIOR CITIZENS IN THE ALLSTON-BRIGHTON NEIGHBORHOOD OF BOSOTN.

VOLUNTEER GROUPS OF FARMERS ARE ALSO TARGETING HOMELESS, SOUP KITCHENS AND LOCAL HOUSING PROJECTS. NOONDAY FARM IN WINCHENDON IS ONE EXAMPLE MENTIONED IN LAST SUNDAY'S NEW YORK TIMES. NEASEANKEAG FARM OPERATED BY THE BOSTON URBAN GARDENERS IS ANOTHER.

FOURTH: INNER-CITY COMMUNITY GARDENING. AS PART OF THE GOVERNOR'S EARLY FOOD AND FARM POLICY IN THE MID-1970's, THE DEPARTMENT DEVELOPED A STRONG PROGRAM OF COMMUNITY GARDENS IN CITIES AND TOWNS STATEWIDE. THESE WERE ESPECIALLY DIRECTED AT INNER-CITY RESIDENTS. STATE LAND, SUCH AS AT BOSTON CITY

HOSPITAL AND OTHER SUITABLE SITES, WAS ALLOCATED FOR THIS PURPOSE. A FULL TIME COMMUNITY-GARDENING SPECIALIST WAS HIRED.

IN ADDITION, THEN STATE SENATOR MEL KING DEVELOPED AN INNOVATIVE FREE SEEDS AND FREE FRUIT-TREE DISTRIBUTION PROGRAM FOR LOWER-INCOME RESIDENTS AND LOCAL TOWNS. THIS PROGRAM, CALLED THE FRUITION PROGRAM HAS BEEN VERY SUCCESSFUL.

THIS MODEST PROGRAM, MR. CHAIRMAN, WE HOPE TO EXPAND IN THE NEXT FEW YEARS, SO THAT SOME 30,000 TO 50,000 LOWER INCOME NUTRITIONALLY VULNERABLE FAMILIES GET ACCESS TO SOME OF THE TOP QUALITY FARM PRODUCTS GROWN IN OUR STATE. I APPRECIATE THE CHANCE OF APPEARING BEFORE YOUR COMMITTEE.

(FRONT)

$1 NO CHANGE

MASSACHUSETTS
FARMERS' MARKET

$1 NO CHANGE

WIC

WIC

$1 ONE

COUPON

$1 ONE

(BACK)

Products purchased: _____

_____

This coupon is good only at a **Massachusetts Farmers' Market** in the following locations:

Quincy – Hancock parking lot, Quincy Center. Fri. 11:30-5:00.

Roslindale – Taft Court, Roslindale Center. Sat. 9:00-1:00. Wed. 12:00 - 6:00

Worcester – Worcester Center Courtyard, Mon. and Wed. 9:30-2:00. St. Mark's Episcopal Church, Fri. 9:30-1:00.

Holyoke – Hampden Park on Chestnut St. Thur. 3:00-7:00.

COUPON FOR WIC FAMILIES ONLY

Mass. Dept. of Food and Agriculture

Mass. Dept. of Public Health

RESPONSES TO QUESTIONS FOR AUGUST SCHUMACHER

QUESTIONS SUBMITTED BY HON. MARGE ROUKEMA

Question. You said that your department began to "reinvigorate existing farmers markets and to target new farmers markets to lower-income, inner-city areas."

How did you do this? Did you use tax incentives? What inducements were there to reinvigorate existing markets?

Answer. No tax incentives.

Rather, the incentives are derived from the successful image of the farmers' markets established statewide. Many of the markets got their start through small grants from the department for market promotion and the hiring of market masters. To attract farmers to any market, they must be convinced that the market itself is well-managed, potentially profitable, and otherwise worthwhile. The grants, advice and other support from the State helped build a strong network of farmers' markets statewide. With that reputation, we have been able to attract even more farmers to these markets in recent years. In that way, we have reinvigorated existing markets and opened up opportunities for new markets.

Question. How did you get new markets to go into lower-income, inner-city areas? I would think that new markets would be more interested in setting up business either in established suburbs or in upper-income, inner-city neighborhoods—going after Yuppie dollars.

Answer. When the State got involved in reinvigorating and expanding farmers' markets and other direct marketing outlets more than a decade ago, much of the emphasis was on strengthening rural-urban linkages, particularly in lower-income neighborhoods. As with the coupon program today, the idea was to bolster business for farmers, while improving the nutrition of inner-city residents. Under the direction of the State, markets therefore were established in those areas. Once organized, the markets proved popular and profitable. Their success spawned other markets, not only in other lower-income areas, but in more affluent areas as well. So, while many farmers certainly are interested in setting up business in affluent suburbs, they also realize that they have a loyal pool of customers in lower-income areas.

Question. How did you determine who would be eligible to receive seeds and fruit trees under your Fruition Program?

Answer. We accept applications from communities and nonprofit civic organizations—though not individuals. We prefer that the seeds and trees be planted on public land, but will allow plantings on private land with public access.

Question. As someone who deals with programs for the poor, would you comment on the need to consolidate and simplify benefit programs, such as food stamps, AFDC, and others?

Answer. One of the strengths of the Massachusetts Farmers' Market Coupon Program is that it creates no new bureaucracy. Rather, distribution occurs through an existing system. Since the WIC Program already has identified our target population, there was no need to duplicate that effort. By doing more of this common sense consolidation, we can keep more funds for the people who need it, instead of funneling it into another bureaucracy.

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PREPARED STATEMENT OF KATHY BICKING, PARALEGAL, LEGAL SERVICES CORPORATION OF IOWA

Regarding

Obstacles facing the family farmer in acquiring food and other public assistance benefits; and suggested improvements in the operation of public assistance programs to assure their responsiveness to the needs of farm families.

MY NAME IS KATHY BICKING. I HAVE BEEN A PARALEGAL WITH THE SIOUX CITY OFFICE OF THE LEGAL SERVICES CORPORATION OF IOWA FOR OVER NINE YEARS. THE SIOUX CITY OFFICE SERVES THIRTEEN OF IOWA'S NINETY-NINE COUNTIES. I HAVE REPRESENTED CLIENTS BEFORE THE IOWA DEPARTMENT OF HUMAN SERVICES, THE SOCIAL SECURITY ADMINISTRATION, JOB SERVICE OF IOWA, AND THE VETERANS' ADMINISTRATION.

IN FEBRUARY, 1985, I BEGAN ADVOCATING FOR FARMERS WHO HAD BEEN DENIED FOOD STAMPS. AS A RESULT OF THE DEMAND FOR INFORMATION AND MY INTEREST IN THE AREA, I HAVE ALSO PROVIDED TRAINING TO LEGAL SERVICE ADVOCATES AND LAY ADVOCATES IN IOWA, MINNESOTA, NEBRASKA AND ILLINOIS. I HAVE ACTED AS A CONSULTANT TO FARM LAW ADVOCATES IN MISSOURI, MINNESOTA, NEBRASKA, ILLINOIS, OKLAHOMA, MONTANA, KANSAS AND MORE RECENTLY, NEW YORK.

SINCE FEBRUARY, 1985, I HAVE HAD DIRECT CONTACT WITH 48 FARM HOUSEHOLDS WHO HAVE HAD QUESTIONS AND CONCERNS ABOUT THE FOOD STAMP PROGRAM. ELEVEN OF THOSE HOUSEHOLDS WANTED ADVICE AND INFORMATION ABOUT FOOD STAMPS. THIRTY-SEVEN OF THOSE HOUSEHOLDS CONTACTED ME AFTER THEY HAD BEEN DENIED FOOD STAMPS. FIFTEEN OF THOSE HOUSEHOLDS HAD BEEN CORRECTLY DENIED. TEN OF THOSE HOUSEHOLDS WERE OVER THE INCOME GUIDELINES. SIX OF THOSE HOUSEHOLDS WERE IN RECEIPT OF NON-FARM INCOME. ABSENT THE NON-FARM INCOME

THEY WOULD HAVE BEEN ELIGIBLE.

OF THE TWENTY-TWO FARM HOUSEHOLDS THAT HAD BEEN ERRONEOUSLY DENIED, TWENTY-ONE WERE EVENTUALLY DETERMINED ELIGIBLE BY THE IOWA STATE AGENCY AFTER LEGAL SERVICES INTERVENED. THE ONE REMAINING HOUSEHOLD IS STILL IN THE APPEAL PROCESS. OF THE TWENTY-ONE HOUSEHOLDS THAT WERE FOUND ELIGIBLE, A TOTAL OF $16,016 IN LOST FOOD STAMP BENEFITS HAS BEEN RECOVERED. THESE FIGURES SERVE TO DEMONSTRATE THE MAGNITUDE OF THE PROBLEM. IF ONE ADVOCATE HAS SEEN THIS MANY PROBLEMS IN A STATE THAT IS RELATIVELY RESPONSIVE TO FARMERS, THE DIFFICULTIES THROUGHOUT THE COUNTRY ARE NO DOUBT ENORMOUS.

Discussed below are some of the issues that are of greatest concern to family farmers and their advoctes. The list is not exhaustive, but simply seeks to highlight recurring issues in the food stamp program that have a negative impact on family farmers.

1. Lack of Adequate Training

SOME OF THE BARRIERS THAT PREVENTED FARMERS FROM RECEIVING FOOD STAMPS IN IOWA IN 1985 and 1986 HAVE BEEN REMOVED. THE IOWA STATE AGENCY IS NOW IN RECEIPT OF PERTINENT FOOD AND NUTRITION SERVICE POLICIES THAT PROVIDE THE INFORMATION NECESSARY TO CORRECTLY DETERMINE A FARMER'S ELIGIBILITY FOR FOOD STAMPS. IN

ADDITION, THE IOWA STATE AGENCY BEGAN SPECIALIZED TRAINING IN JANUARY, 1985, AND HAS CONTINUED THIS TRAINING. THE STATE AGENCY ALSO ESTABLISHED FARMER/FOOD STAMP SPECIALISTS THROUGHOUT THE STATE THAT WERE AVAILABLE AS CONSULTANTS FOR ALL WORKERS. THIS AGENCY HAS COOPERATED WITH THE DENVER REGIONAL FNS OFFICE AND CONTINUALLY SOUGHT INFORMATION AND TRAINING FROM THAT OFFICE. THE COMBINED EFFORTS OF LEGAL SERVICES CORPORATION OF IOWA AND THE STATE AGENCY HAS RESULTED IN THE REMOVAL OF TWO OF THE BARRIERS THAT WERE FACING FARMERS: (1) INADEQUATE INFORMATION FROM FNS; AND (2) UNTRAINED WORKERS.

UNFORTUNATELY, THESE SAME BARRIERS REMAIN IN OTHER STATES. FOR EXAMPLE, THE LEGAL AID SOCIETY OF OMAHA, NEBRASKA, HAS FILED A LAWSUIT AGAINST THE NEBRASKA AGENCY BECAUSE IT IS NOT WILLING TO PROVIDE SPECIALIZED TRAINING TO ITS WORKERS. LEGAL AID IS REPRESENTING A FARMER WHO HAD HIS INCOME COMPUTED FOUR DIFFERENT TIMES BY FOUR DIFFERENT WORKERS. EACH TIME, HIS INCOME WAS INCORRECTLY COMPUTED. AS A PART OF THE LAWSUIT, SEVENTEEN WORKERS AND SUPERVISORS FROM FIFTEEN COUNTIES WERE DEPOSED BY LEGAL AID. EACH WORKER AND SUPERVISOR WAS ASKED HOW MUCH TRAINING THEY HAD RECEIVED WITH REGARD TO THE ELIGIBILITY OF FARMERS FOR FOOD STAMPS. WORKERS RECEIVE ONE WEEK'S TRAINING IN NEBRASKA WHEN THEY BEGIN THEIR JOB. THEREAFTER, THEY RECEIVE AN ADDITIONAL WEEK'S TRAINING EVERY TWO YEARS. THE SUBSTANCE OF THE

TRAINING THAT IS DEVOTED TO A FARMER'S ELIGIBILITY IS PROVIDED IN ONE OR TWO SENTENCES. THE WORKERS ARE TOLD THAT FARMERS' APPLICATIONS ARE DIFFICULT AND THAT THEY SHOULD CONSULT THEIR SUPERVISORS. MOST OF THE SUPERVISORS ADMITTED THAT THEY KNEW NO MORE THAN DID THE WORKERS. IN ILLINOIS, A LEGAL SERVICE FARM ADVOCATE HAS TOLD ME THAT THE ILLINOIS STATE AGENCY IS NOT ADHERING TO THE FNS POLICIES THAT ARE PRESENTED TO THEM AND THAT THE WORKERS ARE NOT ADEQUATELY TRAINED TO PROCESS A FARMER'S FOOD STAMP APPLICATION CORRECTLY.

I HAVE RECENTLY SPOKEN WITH A DAIRY FARMER IN NEW YORK WHO EXPERIENCED A GREAT DEAL OF DIFFICULTY IN HER FOOD STAMP APPLICATION PROCESS. SHE WAS TOLD BY THE WORKER THAT HAVING ONE CHECKING ACCOUNT WOULD CAUSE PROBLEMS IN THE AREA OF RESOURCES BECAUSE NON-FARM INCOME WAS INCLUDED IN THE ACCOUNT. THIS FARMER WAS ALSO TOLD THAT ONE PIECE OF MACHINERY THAT IS USED FOR PARTS TO REPAIR OTHER MACHINERY WOULD HAVE TO BE COUNTED AS A RESOURCE. NEITHER OF THESE STATEMENTS ARE TRUE, REFLECTING THE WORKER'S LIMITED KNOWLEDGE IN THIS AREA. THIS FARMER RECEIVES TWO MILK CHECKS A MONTH. THE FIRST CHECK IS AN "ADVANCED PAYMENT" AND IS DEDUCTED FROM THE SECOND CHECK. THE WORKER INSISTS UPON ADDING THE GROSS AMOUNTS OF BOTH CHECKS TO DETERMINE THE HOUSEHOLD'S INCOME. THE WORKER IS ACTUALLY ADDING THE "ADVANCED PAYMENT" TWICE. THIS HOUSEHOLD SHOULD BE RECEIVING

MORE FOOD STAMP BENEFITS. IF WORKERS WERE PROVIDED MORE TRAINING BY STATE AGENCIES, MISTAKES SUCH AS THESE WOULD NOT OCCUR.

I WOULD RECOMMEND THAT EACH STATE AGENCY BE MANDATED TO PROVIDE SPECIALIZED TRAINING TO ITS WORKERS REGARDING A FARMER'S ELIGIBILITY FOR FOOD STAMPS. THE SPECIALIZED TRAINING WOULD NEED TO INCLUDE SPECIFIC TRAINING AND EDUCATION REGARDING THE INCOME TAX FORMS USED BY FARMERS. EACH STATE AGENCY SHOULD BE REQUIRED TO DEVELOP FARM SPECIALISTS WHO ARE AVAILABLE TO ALL WORKERS AS CONSULTANTS. ONCE A STATE HAS DEVELOPED A TRAINING PACKAGE, THEY SHOULD THEN HAVE TO SUBMIT THAT TRAINING PACKAGE ALONG WITH A SCHEDULE FOR PRESENTATION TO THE APPROPRIATE REGIONAL OFFICE. TO MAKE SUCH A REQUIREMENT MORE PALATABLE FOR THE STATES, ENHANCED FUNDING COULD BE PROVIDED TO THE STATES FOR PROVIDING THIS SPECIALIZED TRAINING. THE IOWA STATE AGENCY COULD MOST CERTAINLY BE USED AS A ROLE MODEL FOR OTHER STATES IN THE DEVELOPMENT OF TRAINING PACKAGES, SPECIALIZED TRAINING FOR WORKERS, AND THE DEVELOPMENT OF FARM SPECIALISTS. I WOULD HOPE THAT OTHER STATES WOULD ALSO USE IOWA AS A ROLE MODEL IN THEIR EFFORTS TO MAKE THE FOOD STAMP PROGRAM MORE ACCESSIBLE TO THE FARM HOUSEHOLDS.

2. Dissemination of FNS Policies

ATTACHED IS A LIST OF EIGHTEEN POLICIES FROM THE FOOD AND NUTRITION SERVICE (FNS) REGARDING A FARMER'S ELIGIBILITY FOR FOOD

STAMPS. THESE ARE AN EXAMPLE OF THE INFORMATION OF WHICH THE STATE AGENCY MUST BE AWARE AND MUST IMPLEMENT TO CORRECTLY DETERMINE A FARMER'S ELIGIBILITY. UNFORTUNATELY, FNS POLICIES ARE NOT ROUTINELY CHANNELED TO EACH STATE AGENCY. ONE PARTICULAR POLICY ESTABLISHED IN FEBRUARY, 1984, AND PROVIDED TO THE NORTH DAKOTA STATE AGENCY AT THAT TIME WAS NOT PROVIDED TO IOWA AND THE OTHER EIGHT REGIONAL STATES UNTIL JUNE, 1985. AN ADVOCATE IN NEW YORK RECENTLY TOLD ME THAT SHE FOUND OUT THE USDA DID NOT CONSIDER NEW YORK A FARM STATE AND THEREFORE DID NOT FORWARD THE PERTINENT MEMOS TO THAT STATE. NEW YORK HAS APPROXIMATELY 20,000 DAIRY FARMERS.

THE IMPORTANCE OF THE DISTRIBUTION OF FNS POLICIES IS TWOFOLD. FIRST, THE DISTRIBUTION OF THOSE POLICIES PROVIDES WORKERS IN INDIVIDUAL STATES WITH GUIDANCE AS TO HOW FOOD STAMP POLICIES CONCERNING FARMERS HAVE EVOLVED. JUST AS IN MANY OTHER AREAS RELATING TO PUBLIC BENEFITS, POLICIES ARE SUBJECT TO RAPID CHANGE, OF WHICH FNS SHOULD KEEP STATE WORKERS ABREAST. WITHOUT THIS CONSTANT UPDATING OF INFORMATION, ERRONEOUS APPLICATIONS OF POLICY ARE SURE TO BE MADE. SECOND, THE DISTRIBUTION OF FNS POLICIES THROUGHOUT THE STATES IS LIKELY TO BRING ABOUT UNIFORMITY IN THE DECISION-MAKING PROCESS. AT PRESENT, MANY STATES ARE MAKING FOOD STAMP POLICY IN THE FARM AREA ON A CASE BY CASE BASIS, WITH LITTLE FEEL FOR FNS' INTERPRETATION OF A

PARTICULAR POLICY QUESTION. BECAUSE THE FOOD STAMP PROGRAM IS A NATIONAL PROGRAM, USING SUPPOSEDLY NATIONAL STANDARDS, CONSISTENCY IN DECISION-MAKING IS EXTREMELY IMPORTANT.

I WOULD THEREFORE RECOMMEND THAT ALL FNS FARMER/FOOD STAMP POLICIES BE INCORPORATED INTO THE REGULATIONS. THIS WOULD INSURE THAT ALL STATE AGENCIES AND ALL ADMINISTRATIVE APPEAL OFFICERS ARE AWARE OF HOW A FARMER'S INCOME AND RESOURCES ARE TO BE TREATED. SOME OF THE ATTACHED POLICIES ARE SUBSTANTIVE AND SOME ARE INTERPRETIVE. WHILE IT MAY SEEM REDUNDANT AND UNNECESSARY TO INCORPORATE A POLICY THAT IS AN INTERPRETATION OF AN EXISTING REGULATION, THESE POLICIES PROVIDED SPECIFIC DIRECTION THAT IS NOT ALWAYS MADE CLEAR BY THE CURRENT REGULATIONS. FOR EXAMPLE, 7 CFR §273.8(e)(9), ADDRESSING THE QUESTION OF RESOURCE EXCLUSIONS, STATES:

> (e) Exclusions from resources. In determining the resources of a household, only the following should be excluded.
>
> * * * *
>
> Resources, such as those of students or self-employed persons, which have been pro-rated as income

PRIOR TO JULY, 1986, IOWA INTERPRETED THIS REGULATION AS MEANING THAT THE NET PRO-RATED INCOME OF A FARMER WAS AN EXEMPT LIQUID RESOURCE, AND BELIEVED IT WAS IN COMPLIANCE WITH FEDERAL REGULATIONS. EVEN THOUGH THE DENVER REGIONAL AND THE NATIONAL FNS OFFICES KNEW THE CORRECT INTERPRETATION, BOTH OFFICES INITIALLY BELIEVED THAT IOWA WAS FOLLOWING THE REGULATIONS CORRECTLY.

IT WAS ONLY AFTER LEGAL SERVICES CONTACTED THE FNS OFFICES SEVERAL TIMES THAT THE CORRECT INTERPRETATION WAS MADE KNOWN TO IOWA. THE CORRECT INTERPRETATION ALLOWS FOR THE TOTAL OF THE FARMER'S NET PRO-RATED INCOME AND THE ALLOWABLE COSTS OF DOING BUSINESS AS AN EXEMPT LIQUID RESOURCE. WHEN IOWA LEARNED OF THE CORRECT INTERPRETATION THE POLICY WAS RETROACTIVELY CORRECTED AND THE STATE AGENCY ISSUED LETTERS TO ALL HOUSEHOLDS WHO HAD BEEN DENIED BENEFITS DUE TO EXCESS RESOURCES. THIS WAS DONE IN AN ATTEMPT TO ISSUE LOST FOOD STAMP BENEFITS TO FARM HOUSEHOLDS WHO HAD BEEN ERRONEOUSLY DENIED FOOD STAMPS BECAUSE OF EXCESS LIQUID RESOURCES. THE LACK OF CLEAR FNS REGULATORY POLICY CREATED A PROBLEM THAT NEED NOT HAVE OCCURRED.

THE LIST THAT I HAVE ATTACHED IS ONLY AN EXAMPLE OF EXISTING FNS POLICIES. THE NATIONAL FNS OFFICE SHOULD BE REQUIRED TO COMPILE A COMPREHENSIVE LIST OF EXISTING POLICIES THAT APPLY TO FARMERS AND THIS LIST SHOULD THEN BECOME A PART OF THE REGULATIONS. I

HAVE PRESENTED THIS RECOMMENDATION TO AN IOWA STATE AGENCY FOOD STAMP POLICY PERSON, A STATE AGENCY HEARING OFFICER AND TO ADVOCATES IN IOWA, ILLINOIS, MISSOURI, NEBRASKA AND NEW YORK. ALL WERE IN AGREEMENT WITH THIS RECOMMENDATION.

3. Annualizing of Income

SELF-EMPLOYED HOUSEHOLDS WHO RECEIVE THEIR INCOME ON A MONTHLY BASIS DO NOT HAVE THEIR INCOME ANNUALIZED. 7 C.F.R 273.11(a)(1)(ii) PROVIDES THAT SELF-EMPLOYMENT INCOME WHICH IS RECEIVED ON A MONTHLY BASIS BUT WHICH REPRESENTS A HOUSEHOLD'S ANNUAL SUPPORT SHALL NORMALLY BE AVERAGED OVER A 12-MONTH PERIOD. HOWEVER, IN A SEPTEMBER 16, 1986, LETTER TO THE REGIONAL DIRECTOR OF THE CHICAGO REGIONAL OFFICE, THE NATIONAL FNS OFFICE MAINTAINED THAT THE REQUIREMENTS FOUND AT 7 C.F.R 273.21(f)(2) REQUIRE SELF-EMPLOYMENT INCOME RECEIVED ON A MONTHLY BASIS TO BE CALCULATED RETROSPECTIVELY. ALTHOUGH THE TWO REGULATIONS SEEM TO CONTRADICT ONE ANOTHER, FNS INTERPRETS §273.21(f)(2) AS AN EXCEPTION TO 7 C.F.R 273.11(a)(1)(ii). THIS CREATES SERIOUS PROBLEMS FOR DAIRY FARMERS IN NORTHERN ILLINOIS AND ELSEWHERE. THEY RECEIVE MONTHLY MILK CHECKS BUT DO NOT INCUR THEIR EXPENSES ON A MONTHLY BASIS. THEREFORE, WHEN THEY HAVE NO EXPENSES IN A PARTICULAR MONTH, THEY ARE NOT ELIGIBLE FOR FOOD STAMPS. DAIRY FARMERS ARE THEREFORE ELIGIBLE ONLY EVERY FOUR OR FIVE MONTHS AND MUST COMPLETE THE

APPLICATION PROCESS ON ALMOST A MONTHLY BASIS. IF A DAIRY FARMER APPLIES FOR FOOD STAMPS IN A MONTH WHERE THE EXPENSES EXCEED THE INCOME, THE EXCESS EXPENSES WOULD NOT BE CARRIED OVER TO THE NEXT MONTH. THIS BARRIER COULD BE REMOVED BY SIMPLY ANNUALIZING THE INCOME AND EXPENSES OF DAIRY FARMERS IN THE SAME MANNER AS IS DONE FOR GRAIN AND LIVESTOCK FARMERS. ANNUALIZING A DAIRY FARMER'S INCOME AND EXPENSES WOULD PROVIDE A MORE ACCURATE FINANCIAL PICTURE AND WOULD PROVIDE MORE REASONABLE ACCESS TO THE FOOD STAMP PROGRAM.

4. Two-Party Checks

MANY FARMERS ARE ALSO DENIED FOOD STAMP BENEFITS BECAUSE THEY ARE THE RECIPIENTS OF CHECKS PAYABLE BOTH TO THE FARMER AND TO A THIRD-PARTY. TYPICALLY, THE THIRD PARTY WOULD BE AN AGENCY SUCH AS THE FARMERS' HOME ADMINISTRATION, ALTHOUGH THE THIRD PARTY COULD ALSO BE A BANK OR OTHER PRIVATE LENDER. THE PROCEEDS OF THE TWO-PARTY CHECK ARE NEVER MADE AVAILABLE TO THE FARMER, AND YET THE "INCOME" FROM THE CHECK IS COUNTED AS IF IT WERE AVAILABLE TO THE FARMER. IN THIS SITUATION, DESPITE THE FACT THAT A FARMER MAY BE DESTITUTE, THE FARMER AND FAMILY ARE CONSIDERED TO HAVE RECEIVED INCOME, AND THUS ARE DENIED FOOD STAMP BENEFITS.

THIS PROBLEM WAS DISCUSSED DURING A MEETING OF THE IOWA STATE AGENCY FOOD STAMP POLICY OFFICIALS AND REGIONAL AND NATIONAL FNS PERSONNEL IN OCTOBER, 1985. THIS PROBLEM WAS ALSO BROUGHT TO THE ATTENTION OF THE FORMER SECRETARY OF AGRICULTURE BLOCK IN 1984 BY THE FORMER GOVERNOR OF NEBRASKA, ROBERT KERREY, WHEN INACCESSIBLE INCOME OF NEBRASKA FARMERS WAS CONSIDERED INCOME FOR FOOD STAMP PURPOSES. THERE CURRENTLY IS NO PROVISION IN THE REGULATIONS TO DISREGARD INCOME THAT IS NOT ACTUALLY AVAILABLE TO THESE FARM HOUSEHOLDS.

THE CASE OF A RECENT LSCI CLIENT IS INSTRUCTIVE. THE CLIENT, MR. R, OPERATED A FARM, AND HAD BORROWED HEAVILY FROM THE FmHA. THE INCOME OF MR. R CONSISTED ENTIRELY OF CHECKS MADE PAYABLE TO BOTH FmHA AND MR. R. THE FmHA RELEASED ONLY $1500.00 OF THE CHECK DURING THE COURSE OF THE YEAR IN ORDER FOR MR. R. TO HARVEST HIS CROP. MR. R. APPLIED FOR FOOD STAMPS, WAS INITIALLY DENIED, AND THEN FOUND ELIGIBLE FOR FOOD STAMPS BY A HEARING OFFICER BECAUSE MR. R. COULD "NO LONGER CHOOSE TO USE HIS INCOME FOR FOOD OR SHELTER." THIS DECISION WAS LATER REVERSED BY THE COMMISSIONER OF THE IOWA DEPARTMENT OF HUMAN SERVICES.

IN THIS SITUATION, WHICH IS NOW PENDING IN COURT, THE FARMER ARGUED THAT THE FOOD STAMP ACT PREVENTS THE PROCEEDS OF THE TWO-PARTY CHECKS FROM BEING COUNTED AS AVAILABLE TO THE FARMER. MR. R. ALSO ARGUED THAT THE PROCEEDS OF THE CHECK PAID TO THE FmHA

WAS NOT A "GAIN OR BENEFIT IN THE FORM OF MONEY PAYABLE DIRECTLY TO A HOUSEHOLD." SEE 7 U.S.C. §2014(d)(1). DESPITE THE FACT THAT THE PRESENT FOOD STAMP ACT ADDRESSES THE SITUATION PRESENTED BY MR. R, THE FOOD AND NUTRITION SERVICE HAS CONSISTENTLY HELD THAT THE PROCEEDS OF A TWO-PARTY CHECK ARE TO BE COUNTED FOR FOOD STAMP PURPOSES, EVEN IF THE PROCEEDS ARE NOT ACTUALLY AVAILABLE TO THE FARMER. THUS, ALTHOUGH THE FOOD STAMP ACT CAN BE READ AS SUPPORTING THE POSITION OF MR. R, THIS INTERPRETATION IS NOT FOLLOWED BY THE AGENCY. IN THIS SITUATION, I WOULD URGE CONGRESS TO ENACT A PROVISION THAT MADE CLEAR THAT UNLESS INCOME IS ACTUALLY AVAILABLE TO A FARMER, THAT INCOME NOT BE COUNTED FOR FOOD STAMP PURPOSES. THE FORM OF SUCH AN AMENDMENT COULD BE AN ADDITION TO 7 U.S.C. §2014(d), WHICH LISTS ITEMS THAT ARE EXCLUDED FROM CONSIDERATION AS INCOME. SECTION 2014(d)(1), WHICH EXCLUDES GAINS OR BENEFITS NOT IN THE FORM OF MONEY PAYABLE DIRECTLY TO A HOUSEHOLD, COULD BE EXPANDED TO READ AS FOLLOWS:

§2014 Eligible households

(d) Income excluded in computing household income
Household income for purposes of the food stamp program shall include all income from whatever source excluding only (1) any gain or benefit which is not in the form of money payable directly to a household, except as provided in subsection (k) of this section. <u>For the purposes of this section, the proceeds of a check payable to a member of a household and a third-party shall be excluded except to the extent that the proceeds are actually available to the household</u>.

THE UNDERLINED PORTION OF THE STATUTE IS THE ADDITION THAT I WOULD PROPOSE TO ADDRESS THE TWO-PARTY CHECK SITUATION. THE ADDITION IS CONSISTENT WITH THE BASIC PRINCIPLES OF FOOD STAMP ELIGIBILITY INASMUCH AS INCOME MAY BE COUNTED IF IT IS ACTUALLY AVAILABLE TO THE HOUSEHOLD. AT THE SAME TIME, THIS MODIFICATION MAKES CLEAR THAT INCOME THAT IS NOT ACTUALLY AVAILABLE WHEN PAID VIA A TWO-PARTY CHECK IS NOT TO BE COUNTED AS INCOME TO THE FOOD STAMP HOUSEHOLD.

5. Substantial Change

THE ISSUE REGARDING THE TERM "SUBSTANTIAL CHANGE" IS ONE THAT HAS REPEATEDLY CAUSED PROBLEMS FOR IOWA FARMERS, IOWA STATE AGENCY WORKERS AND IOWA ADMINISTRATIVE HEARING OFFICERS. WHEN A FARMER APPLIES FOR FOOD STAMPS, THE INCOME AND EXPENSES FROM THE MOST RECENT INCOME TAX RETURN WILL BE USED UNLESS THERE HAS BEEN A "SUBSTANTIAL CHANGE" IN THE FARM OPERATION. FNS WILL NOT DEFINE THE TERM "SUBSTANTIAL." AN ATTEMPT TO RESOLVE THIS PROBLEM WAS MADE WHEN THE FOOD SECURITY ACT OF DECEMBER, 1985, WAS PASSED. THE ACT ADDED LANGUAGE WHICH SAYS "THE STATE AGENCY SHALL NOT CALCULATE SELF-EMPLOYMENT INCOME ON THE BASIS OF PRIOR INCOME (E.G. INCOME TAX RETURNS) WHEN THE HOUSEHOLD HAS EXPERIENCED A SUBSTANTIAL INCREASE OR DECREASE IN BUSINESS." THE DEFINITION OF "SUBSTANTIAL" IS LEFT TO THE DISCRETION OF EACH STATE AGENCY AND

INDIVIDUAL WORKERS. IT IS MUCH EASIER FOR A WORKER TO USE THE FIGURES FROM THE MOST RECENT INCOME TAX RETURN THAN IT IS TO SPEND EXTRA TIME WITH THE FARMER TO DETERMINE HOW SPECIFIC CHANGES WILL EFFECT THE HOUSEHOLD'S INCOME FOR THE CURRENT YEAR. IN ADDITION, IF THE WORKER HAS NO FARM BACKGROUND AND HAS RECEIVED NO DIRECTION OR TRAINING IN THIS AREA, THE WORKER WILL NOT KNOW WHAT TYPE OF CHANGES CAN TAKE PLACE OR WHAT TYPE OF CHANGES SHOULD BE CONSIDERED "SUBSTANTIAL." IF A STATE AGENCY LOCKS INTO ONLY ALLOWING FOR SPECIFIC CHANGES TO BE CONSIDERED "SUBSTANTIAL," A FARMER WILL BE FOUND INELIGIBLE FOR FOOD STAMPS EVEN THOUGH CHANGES HAVE OCCURRED THAT WILL REDUCE THE HOUSEHOLD'S INCOME IN THE CURRENT YEAR.

I WOULD RECOMMEND THE REMOVAL OF THE WORD "SUBSTANTIAL" FROM THE STATUTE AND REGULATIONS. THIS WOULD ALLOW ANY AND ALL CHANGES TO BE TAKEN INTO CONSIDERATION. FNS HAS INFORMED THE IOWA STATE AGENCY THAT THE REGULATIONS REGARDING THE ANTICIPATION OF INCOME LANGUAGE FOUND AT §273.10 APPLIED TO FARM HOUSEHOLDS. 7 C.F.R 273.10(c) DOES NOT INCLUDE THE TERM "SUBSTANTIAL." RATHER, THIS SECTION OF THE REGULATIONS CLEARLY DIRECTS THE STATE AGENCY TO "NOT USE PAST INCOME AS AN INDICATOR OF ANTICIPATED INCOME WHEN CHANGES IN INCOME HAVE OCCURRED OR CAN BE ANTICIPATED DURING THE CERTIFICATION PERIOD," AND DIRECTS THE STATE AGENCY TO "EXERCISE PARTICULAR CAUTION IN USING INCOME FROM A PAST SEASON AS AN

INDICATOR OF INCOME FOR THE CERTIFICATION PERIOD." THIS SECTION OF THE REGULATIONS ALSO DISALLOWS THE USE OF ANY INCOME THAT THE HOUSEHOLD IS UNCERTAIN OF RECEIVING. THESE REGULATIONS MUST BE ADHERED TO BY WORKERS WHO PROCESS THE FOOD STAMP APPLICATIONS OF FARMERS. BY FOLLOWING THESE REGULATIONS AND ELIMINATING THE TERM "SUBSTANTIAL" THE STATE AGENCIES AND THE WORKERS WILL HAVE LESS DISCRETION, AND A MORE ACCURATE PICTURE OF A FARM HOUSEHOLD'S INCOME WILL BE SECURED BY THE WORKER.

FARM ELIGIBILITY FOR OTHER PUBLIC BENEFIT PROGRAMS

Questions concerning a farm family's eligibility for public benefits have surfaced most often in the context of eligibility for food stamp benefits. Other public benefit programs can, however, provide necessary support to farm families in times of crisis. With relatively minor modifications, both the Aid to Families with Dependent Children (AFDC) program and the Supplemental Security Income (SSI) program can be more closely tailored to meet the needs of low-income farmers. A discussion of those changes follows.

I. AFDC

AFDC ELIGIBILITY IS PREMISED ON A NUMBER OF FACTORS. AMONG THE MOST IMPORTANT FACTORS IN DETERMINING ELIGIBILITY ARE THE INCOME

OF THE FAMILY APPLYING FOR AFDC, THE AMOUNT OF RESOURCES HELD BY THE FAMILY APPLYING FOR AFDC, AND THE QUESTION OF WHETHER A CHILD IS "DEPRIVED" FOR PURPOSES OF AFDC ELIGIBILITY.

1. Income

THE PORTION OF THE FEDERAL STATUTE ADDRESSING THE QUESTION OF COUNTABLE INCOME FOR AFDC PURPOSES IS 42 U.S.C. §602(a)(7). THE STATUTE PROVIDES THAT, IN DETERMINING THE NEED OF A FAMILY APPLYING FOR AFDC, THE STATE MUST TAKE INTO ACCOUNT THE INCOME AND RESOURCES OF ANY CHILD OR RELATIVE CLIAMING ASSISTANCE. THE FEDERAL REGULATIONS, AT 45 C.F.R. §233.20(a)(3)(ii)(D), STATE THAT INCOME IS CONSIDERED AVAILABLE BOTH WHEN ACTUALLY AVAILABLE, AND WHEN THE APPLICANT HAS A LEGAL INTEREST IN A LIQUIDATED SUM AND THE LEGAL ABILITY TO MAKE THE SUM AVAILABLE FOR CURRENT SUPPORT AND MAINTENANCE. FOR FARM FAMILIES, AS FOR OTHER FAMILIES ENGAGED IN A SELF-EMPLOYMENT ENTERPRISE, THE GROSS RECEIPTS FROM THE OPERATION ARE COMPARED WITH BUSINESS EXPENSES TO DETERMINE THE INCOME OF THE FARM FAMILY. SEE 45 C.F.R. §233.20(a)(6)(v)(B).

ON THE INCOME QUESTION, A RECURRING PROBLEM IS THAT A FARM FAMILY APPLYING FOR AFDC BENEFITS WILL FIND THAT A LOSS FROM ONE SELF-EMPLOYMENT ENTERPRISE IS NOT USED TO OFFSET ANY GAIN FROM OTHER

EMPLOYMENT. A FARM FAMILY CAN HAVE A HUGE LOSS FROM THE FARMING OPERATION, AND YET NOT BE INCOME ELIGIBLE FOR AFDC BECAUSE INCOME FROM OTHER EMPLOYMENT PUTS THEM OVER AFDC INCOME LIMITS. PRIOR TO THE PASSAGE OF THE FOOD SECURITY ACT IN 1985, THIS SAME PROBLEM AROSE REPEATEDLY IN THE FOOD STAMP CONTEXT. CONGRESS HAS, HOWEVER, SOLVED THIS PROBLEM BY PASSAGE OF 7 U.S.C. §2014(d)(9), WHICH INDICATES THAT HOUSEHOLD INCOME THAT WOULD OTHERWISE BE INCLUDED AS AVAILABLE TO THE FAMILY SHALL BE REDUCED "BY THE EXTENT THAT THE COST OF PRODUCING SELF-EMPLOYMENT INCOME EXCEEDS THE INCOME DERIVED FROM SELF-EMPLOYMENT AS A FARMER. . . ." WITH ONLY MINOR ADAPTATIONS, THE PRINCIPLE THAT APPLIES IN THE FOOD STAMP PROGRAM COULD BE MODIFIED TO APPLY TO AFDC ELIGIBILITY DETERMINATIONS AS WELL. CONGRESS SHOULD AMEND THE AFDC ACT, AS HAS ALREADY BEEN DONE IN THE CASE OF FOOD STAMPS. AN AMENDMENT ALLOWING AN OFFSET FOR FARM LOSSES WOULD BE A RECOGNITION OF THE ACTUAL FINANCIAL SITUATION OF THE FARMER, AND WOULD BE CONSISTENT WITH THE ACTUAL AVAILABILITY PRINCIPLE THAT GUIDES PUBLIC BENEFIT PROGRAMS.

2. Resources

THE AFDC STATUTE INDICATES THAT THE RESOURCES OF A FAMILY MAY NOT EXCEED $1000. ALTHOUGH THERE ARE NUMEROUS EXEMPTIONS FROM THE ITEMS THAT ARE COUNTED AS RESOURCES, THE AMOUNT ALLOWED FOR NON-

EXEMPT RESOURCES REMAINS VERY LOW, PARTICULARLY IN THE CONTEXT OF A FAMILY THAT IS CURRENTLY ENGAGED IN A SELF-EMPLOYMENT ENTERPRISE SUCH AS FARMING. THE FEDERAL STATUTE ALLOWS RESOURCES TO BE REDUCED BY "ANY OBLIGATIONS OR DEBTS." 42 U.S.C. §602(a)(7). THE FEDERAL REGULATIONS THAT INTERPRET THIS STATUTORY SECTION ALSO ALLOW AN EXCLUSION FOR BASIC MAINTENANCE ITEMS.

THE DIFFICULTY WITH THE LANGUAGE OF THE STATUTE AND THE REGULATIONS IS THAT THEY ALLOW A LARGE AMOUNT OF DISCRETION TO THE STATES IN DETERMINING HOW TO CATEGORIZE THE STATUTORY "OBLIGATIONS OR DEBT" LANGUAGE. AS A RESULT OF THIS DISCRETION, THERE ARE WIDE DIFFERENCES AMONG THE STATES IN TERMS OF THE BREADTH OF EACH STATE'S RESOURCE EXEMPTION. THUS, IN SOME STATES, SUCH AS IOWA, NO RESOURCE EXCLUSIONS ARE ALLOWED BEYOND THE BASIC EXCLUSIONS SUCH AS THE HOME, HOUSEHOLD GOODS AND PERSONAL EFFECTS, LIFE INSURANCE WITH NO CASH SURRENDER VALUE, AND A EQUITY OF UP TO $1500 IN A MOTOR VEHICLE. THE NARROWNESS OF THIS EXCLUSION HAS THE EFFECT OF PRECLUDING ALMOST ALL FARM FAMILIES FROM PARTICIPATION IN THE AFDC PROGRAM, NO MATTER HOW POOR THEIR INCOME PROSPECTS. THIS OCCURS BECAUSE IN ORDER TO OPERATE A FARM, THE FAMILY MUST HAVE EQUIPMENT, MACHINES, LIVESTOCK, AND THE LIKE IN ORDER TO SUSTAIN THE FARM OPERATION. SOME STATES HAVE RECOGNIZED THIS, AND HAVE MOVED TO WIDEN THE SCOPE OF EXEMPTIONS FOR SELF-EMPLOYED PERSONS. FOR EXAMPLE, NEW JERSEY EXEMPTS LIVESTOCK, MACHINERY, TOOLS, EQUIPMENT, AND STOCK

IN TRADE WHICH SERVE TO PRODUCE SOME NET INCOME IN CASH OR IN KIND, OR SERVE AN AN INCENTIVE FOR SELF-HELP. OTHER STATES HAVE SIMILARLY BROAD EXCLUSIONS.

IN THE CASE OF FARMERS, THE PROVISION OF AFDC TO ASSIST THE LOW-INCOME FARM FAMILY IS A SHORT-TERM REMEDY THAT IS NOT LIKELY TO CONTINUE FOR MORE THAN A FEW MONTHS. BECAUSE OF THIS, IT IS NOT WISE TO MAKE A FARMER LIQUIDATE HIS OR HER RESOURCES IN ORDER TO BECOME TEMPORARILY ELIGIBLE FOR AFDC. WHAT IS NECESSARY IS TO ALLOW THE FARMER TO EXCLUDE THOSE RESOURCES IN DETERMINING AFDC ELIGIBILITY SO THAT THE FARMER CAN CONTINUE TO BE PRODUCTIVE, AND ULTIMATELY CONTRIBUTE TO THE ECONOMY. THIS IS ENTIRELY CONSISTENT WITH CURRENT VIEWS WHICH WOULD ATTEMPT TO MAKE AFDC RECIPIENTS MORE SELF-SUFFICIENT, AND WHICH SEEK TO ENCOURAGE WELFARE RECIPIENTS TO GAIN PAID EMPLOYMENT. THE FAILURE TO ALLOW EXEMPTIONS GREATER THAN PRESENTLY MANDATED BY THE AFDC PROGRAM WORKS AT CROSS-PURPOSES WITH PROGRAMS DESIGNED TO INCREASE JOB OPPORTUNITIES. THE EFFECT OF THE CIRCUMSCRIBED RESOURCE EXEMPTIONS IS TO FORCE FARM FAMILIES TO SELL OFF EQUIPMENT, AND ULTIMATELY DISCONTINUE THEIR FARMING OPERATION, IN ORDER TO BECOME ELIGIBLE FOR AFDC. THIS IS BOTH BAD ECONOMICS AND BAD PUBLIC POLICY.

THE AFDC STATUTE SHOULD BE AMENDED TO SPECIFICALLY PROVIDE THAT IN THE CASE OF SELF-EMPLOYED INDIVIDUALS, MACHINERY, TOOLS,

EQUIPMENT, LIVESTOCK, AND OTHER STOCK IN TRADE WHICH PRODUCE SOME NET INCOME IN CASH OR IN KIND SHOULD BE EXEMPT AS RESOURCES.

3. Deprivation

A FINAL FACTOR THAT LIMITS THE ELIGIBILITY OF FAMILIES FOR AFDC BENEFITS IS THE QUESTION OF DEPRIVATION (WHETHER THE CHILD IS DEPRIVED OF PARENTAL SUPPORT OR CARE), AND SPECIFICALLY THE ELIGIBILITY OF THE FARM FAMILY FOR AFDC-UNEMPLOYED PARENT BENEFITS. IN A CASE WHERE THE FAMILY CONSISTS OF ONE PARENT AND ONE OR MORE CHILDREN, ELIGIBILITY WILL BE DETERMINED SOLELY ON THE CONSIDERATION OF THE FAMILY'S INCOME AND RESOURCES. WHEN A TWO-PARENT FAMILY IS INVOLVED, HOWEVER, AS IS MOST OFTEN THE CASE WITH FARM FAMILIES, THE "PRINCIPLE EARNER" MUST BE "UNEMPLOYED" IN ORDER FOR THE FAMILY TO BE CONSIDERED ELIGIBLE FOR BENEFITS.

IN ORDER TO BE "UNEMPLOYED" FOR PURPOSES OF THE AFDC STATUTE, THE REGULATIONS PROMULGATED BY THE DEPARTMENT OF HEALTH & HUMAN SERVICES INDICATE THAT THE PRINCIPLE EARNER MUST BE "EMPLOYED" LESS THAN 100 HOURS A MONTH. SEE 42 U.S.C. §607(b)(1)(A); 45 C.F.R. §233.100(a)(1)(i). IN SOME STATES, SUCH AS IOWA, IN DETERMINING WHETHER A PERSON IS ACTUALLY WORKING LESS THAN 100 HOURS PER MONTH EITHER THE ACTUAL NUMBER OF HOURS WORKED CAN BE USED, OR THE HOURS MAY BE COMPUTED BY DIVIDING THE NET MONTHLY INCOME FROM SELF-EMPLOYMENT BY THE FEDERAL MINIMUM WAGE. FOR

SELF-EMPLOYED PERSONS, INCLUDING FARMERS, THE LATTER COMPUTATION OF HOURS WOULD BE THE ONLY ONE THAT WOULD ALLOW A PERSON TO BE CONSIDERED UNEMPLOYED. IN MANY OTHER STATES, HOWEVER, A STRICT 100 HOUR DEFINITION PRECLUDES SELF-EMPLOYED FAMILIES FROM ESTABLISHING ELIGIBILITY FOR AFDC BENEFITS.

THE 100 HOUR RULE SHOULD BE ABOLISHED. INCOME AND RESOURCE TESTS IN THE AFDC PROGRAM ARE SUFFICIENT TO INSURE THAT ONLY THE NEEDIEST OF FAMILIES WILL QUALIFY FOR BENEFITS. THE 100 HOUR RULE IS AN ADDITIONAL BARRIER TO THE ELIGIBILITY OF SELF-EMPLOYED INDIVIDUALS, AS WELL AS TO INDIVIDUALS EARNING LOW PAY IN THE EMPLOY OF OTHERS. THE EFFECT OF THE 100 HOUR RULE IS TO DISCOURAGE TWO-PARENT FAMILIES FROM WORKING - PRECISELY THE OPPOSITE OF THE APPROACH CONGRESS SHOULD TAKE IN DEALING WITH THESE DIFFICULT PUBLIC BENEFIT PROBLEMS. A FAMILY SHOULD NOT BE DENIED BENEFITS BECAUSE THE WAGE EARNER IN THAT FAMILY PUTS IN LONG HOURS IN THE HOPES THAT SHE OR HE WILL BE ABLE TO PROVIDE FOR THE FAMILY'S NEEDS. THIS IS PRECISELY THE TYPE OF ACTIVITY THAT SHOULD BE REWARDED, NOT PENALIZED. THE 100 HOUR RULE CREATES AN ARTIFICIAL BARRIER TO AFDC ELIGIBILITY, AND EFFECTIVELY SINGLES OUT SELF-EMPLOYED INDIVIDUALS FOR DISFAVORED TREATMENT UNDER THE AFDC PROGRAM. ABOLITION OF THE RULE WOULD INCREASE THE INCENTIVE FOR PERSONS TO ATTEMPT TO WORK AND EVENTUALLY FREE THEMSELVES FROM RELIANCE ON AFDC.

II. Supplemental Security Income

IN MANY SITUATIONS, A FARM FAMILY HAS A CHILD WHO IS DISABLED, AND WHO WOULD OTHERWISE BE ELIGIBLE FOR SUPPLEMENTAL SECURITY INCOME (SSI) BENEFITS ON THE BASIS OF THAT DISABILITY. THE SSI PROGRAM IS A NEEDS BASED PROGRAM, AND HAS INCOME AND RESOURCE RULES DIFFERENT IN FORM BUT SIMILAR IN INTENT TO THOSE INCOME AND RESOURCE RULES IN THE AFDC AND FOOD STAMP PROGRAMS. THE RESOURCE RULES ARE A PARTICULAR PROBLEM FOR FARM FAMILIES SEEKING TO QUALIFY A DISABLED CHILD FOR SSI BENEFITS, AND THE AUTOMATIC MEDICAL ASSISTANCE THAT ACCOMPANIES THE RECEIPT OF SSI BENEFITS. OF THOSE RESOURCE RULES, THE SO-CALLED "$6000/6%" RULE HAS THE MOST DEVASTATING EFFECT ON FARMERS WHO SEEK TO ESTABLISH SSI ELIGIBILITY FOR THEIR DISABLED CHILDREN.

UNDER THE SSI STATUTE, PROPERTY WHICH IS ESSENTIAL TO AN INDIVIDUAL'S SELF-SUPPORT IS TO BE EXCLUDED AS A RESOURCE. SEE 42 U.S.C. §1382b(a)(3). THIS BROAD EXCLUSION HAS BEEN NARROWED CONSIDERABLY BY THE SECRETARY OF HEALTH AND HUMAN SERVICE'S IMPLEMENTING REGULATIONS. SINCE JANUARY OF 1974, THE SECRETARY HAS DEFINED PROPERTY AS "ESSENTIAL TO THE MEANS OF SELF-SUPPORT" ONLY IN SITUATIONS WHERE THE INDIVIDUAL'S EQUITY IN THE PROPERTY IS $6000 OR LESS AND THE ANNUAL NET INCOME FROM THE PROPERTY IS AT LEAST 6% OF THE EQUITY VALUE. UNTIL OCTOBER OF 1985, THE SECRETARY'S RULE WAS FOUND ONLY IN AN INTERNAL MANUAL USED BY THE

SOCIAL SECURITY ADMINISTRATION. ON OCTOBER 22, THE $6000/6% RULE WAS PUBLISHED AS A REGULATION IN THE FEDERAL REGISTER.

THE GENESIS OF THE $6000/6% RULE IS INSTRUCTIVE. THE RULE ORIGINALLY AROSE OUT OF STUDIES CONDUCTED IN THE EARLY 1970s THAT ASSERTEDLY DEMONSTRATED THAT MOST PROPERTIES THAT PRODUCED A RETURN OF GREATER THAN 6% OF THEIR EQUITY VALUE WERE WORTH MORE THAN $6000. THE EXACT NATURE OF THE FINDINGS OF THE STUDY ARE SOMEWHAT CONFUSED, BECAUSE THE STUDY WAS DESTROYED BY THE SECRETARY IN A "ROUTINE FILE PURGE" IN NOVEMBER OF 1982. IN 1975, THE SECRETARY PROPOSED REGULATIONS THAT INCLUDED THE $6000/6% RULES, BUT THE FINAL RULE NEVER MENTIONED THOSE RULES. IT WAS NOT UNTIL 1985 THAT THE $6000/6% RULE WAS ACTUALLY PUBLISHED BY THE SECRETARY AS A FINAL RULE.

THE EFFECT OF THE $6000/6% RULE IS TO MAKE SSI ELIGIBILITY NEXT TO IMPOSSIBLE FOR FARM FAMILIES. IN CONTRAST TO MANY SELF-EMPLOYMENT ENTERPRISES, WHICH HAVE RELATIVELY LOW CAPITAL COSTS, FARMING IS A CAPITAL INTENSIVE ENTERPRISE, REQUIRING THOUSANDS OF DOLLARS WORTH OF MACHINERY AND EQUIPMENT. A FARM FAMILY THAT OWNS $50,000 TO $100,000 WORTH OF EQUIPMENT AND MACHINERY IS NOT UNUSUAL - INDEED THIS MAY BE MORE THE NORM THAN AN EXCEPTION TO THE NORM. DESPITE THE LACK OF DOCUMENTATION SUPPORTING THE FINDING THAT THE $6000 AND 6% FIGURES WERE RATIONALLY RELATED TO

A DETERMINATION OF WHETHER A FARM FAMILY SHOULD BE CONSIDERED TO BE OVER RESOURCES, THOSE RULES AFFECT MANY FARMERS ON A DAILY BASIS.

THE $6000 REQUIREMENT IS ONEROUS BECAUSE IT IS VERY DIFFICULT TO BE ENGAGED IN A FARMING ENTERPRISE, PARTICULARLY A LONGSTANDING FARM OPERATION, AND NOT HAVE MORE THAN $6000 WORTH OF EQUIPMENT AND MACHINERY. FOR MANY FARM FAMILIES, THE LATE 1970's AND EARLY 1980's WERE RELATIVELY GOOD YEARS FROM AN ECONOMIC STANDPOINT. BECAUSE OF THE GROWTH OF THE FARM ECONOMY DURING THAT TIME, PURCHASES OF EQUIPMENT AND MACHINERY INCREASED. FOR THE FARM FAMILY THAT HAS BEEN ENGAGED IN FARMING FOR A LONG PERIOD OF TIME, THE PURCHASES MADE DURING PAST YEARS NOW REPRESENT RESOURCES THAT CAUSE INELIGIBILITY FOR SSI BENEFITS. UNFORTUNATELY, THERE IS LITTLE FOR THE FARM FAMILY TO DO, SHORT OF QUITTING FARMING ALTOGETHER, TO ESTABLISH ELIGIBILITY FOR THE SSI PROGRAM UNDER THE CURRENT $6000/6% GUIDELINES.

IN A LAWSUIT CHALLENGING THE $6000/6% RULE, THE DISTRICT COURT OF MAINE RECENTLY FOUND THAT THE USE OF THE $6000/6% RULE WAS ARBITRARY AND CAPRICIOUS, CONCLUDING THAT THE FIGURES USED BY THE SECRETARY FOUND NO SUPPORT FROM THE RECORD. MAINE ASSOCIATION OF INTERDEPENDENT NEIGHBORHOODS V. PETIT, No. 83-0360-B (D. MAINE APRIL 28, 1987). THE COURT FOUND THAT THE $6000 ASSET LIMIT WAS

"EITHER IRRATIONAL OR SUPERFLUOUS," AND WAS NOT SUPPORTED BY ANY CREDIBLE EVIDENCE. THE COURT CONCLUDED THAT THE $6000 FIGURE APPEARED TO HAE BEEN "PLUCKED OUT OF THIN AIR." THE COURT ALSO FOUND THAT THE SECRETARY HAD FAILED TO ACCOUNT FOR INFLATION SINCE 1973 IN USING THE $6000 FIGURE, FURTHER WEAKENING THE SECRETARY'S POSITION. IN SHORT, THE SECRETARY'S USE OF THE $6000/6% RULE WAS FOUND TO BE INCONSISTENT WITH A STANDARD THAT ACTUALLY DETERMINED WHETHER PROPERTY WAS ESSENTIAL TO THE MEANS OF SELF-SUPPORT OF THE INDIVIDUAL OR FAMILY.

CONGRESS SHOULD ADOPT THE POSITION OF THE MAINE COURT AND SPECIFICALLY REJECT THE $6000/6% RULES ADOPTED BY THE SECRETARY. THOSE RULES ARE SIMPLY NOT REFLECTIVE OF WHETHER A PARTICULAR RESOURCE IS OR IS NOT ESSENTIAL TO A PERSON'S MEANS OF SELF-SUPPORT. BECAUSE THEY DEVIATE FROM THE CONGRESSIONAL COMMAND OF 42 U.S.C. §1382b(a)(3), CONGRESS SHOULD SPECIFICALLY INDICATE ITS DISAPPROVAL OF THOSE REGULATIONS. AN ALTERNATIVE APPROACH SUGGESTED BY THE MAINE COURT WOULD BE TO CONDUCT A SURVEY TO DETERMINE THE FIGURE IN PARTICULAR BUSINESSES THAT WOULD REPRESENT A REASONABLE RETURN ON A PERSON'S CAPITAL. THIS FIGURE COULD THEN BE MULTIPLIED BY THE VALUE OF THE RESOURCE, AND THE EXPECTED INCOME FIGURE (OR THE ACTUAL INCOME RECEIVED, IF HIGHER), WOULD BE COUNTED AS INCOME TOWARD THE FAMILY. THIS APPROACH MAKES MORE SENSE IN LIGHT OF THE CONGRESSIONAL COMMAND

OF §1382b(a)(3), AND IS MORE CLOSELY REFLECTIVE OF THE ACTUAL VALUE OF THE RESOURCE. THE ARBITRARY $6000 CAP OF THE PRESENT REGULATIONS WOULD BE ELIMINATED, AND THE NEW POLICY WOULD ENCOURAGE THE LIQUIDATION OF UNPRODUCTIVE ASSETS AND PERMIT RETENTION OF ASSETS TRULY ESSENTIAL TO SELF-SUPPORT.

SUMMARY OF RECOMMENDATIONS

1. Food Stamps

   A. INSURE THAT EACH STATE AGENCY BE MANDATED TO PROVIDE SPECIALIZED TRAINING TO ITS WORKERS REGARDING A FARMER'S ELIGIBILITY FOR FOOD STAMPS

   B. INCORPORATE ALL FNS FARMER/FOOD STAMP POLICIES INTO FNS FOOD STAMP REGULATIONS

   C. MANDATE THE ANNUALIZING OF THE INCOME OF FARMERS WHO RECEIVE INCOME ON A MONTHLY BASIS

   D. EXCLUDE THE PROCEEDS OF A TWO-PARTY CHECK FROM CONSIDERATION AS INCOME UNLESS THE PROCEEDS ARE ACTUALLY AVAILABLE TO THE HOUSEHOLD

   E. MANDATE THAT ALL CHANGES IN FARM INCOME BE TAKEN INTO ACCOUNT IN DETERMINING FARMER ELIGIBILITY FOR FOOD STAMPS

2. Aid to Families with Dependent Children

   A. REDUCE THE INCOME OF A FARM FAMILY FROM NON-FARM SOURCES BY THE EXTENT THAT THE COST OF PRODUCING SELF-EMPLOYMENT INCOME EXCEEDS THE INCOME DERIVED FROM SELF-EMPLOYMENT AS A FARMER

   B. AMEND THE AFDC STATUTE TO PROVIDE THAT MACHINERY, TOOLS, LIVESTOCK, AND OTHER STOCK IN TRADE ARE EXEMPT AS RESOURCES

   C. ABOLISH THE 100 HOUR RULE IN DETERMINING ELIGIBILITY FOR AFDC-UP

3. Supplemental Security Income

   A. ABOLISH THE $6000/6% RULE IN DETERMINING RESOURCE ELIGIBILITY FOR SSI

ATTACHMENTS

(FNS Non-Regulatory Policies)

PDS - 313

3/17/83

FNP/PDS: Agriculture Payment-in-Kind Program

All Regional Directors
Family Nutrition Programs, FNS

This is to advise you of the policy that should be followed by State agencies in regard to grain received by farmers under the new Payment-In-Kind (PIK) Program. Under this program, farmers who have already taken portions of land out of production under the Land Diversion or Acreage Reduction Programs will be encouraged to take more land out of production. Farmers who enroll will receive surplus grain which can be retained for their own use or sold.

Grain received under this program should normally be considered self-employment income. It should be included when annualizing income under the procedure at 273.11(a) if the household indicates the grain will be sold during the year. The value of any grain which the household intends to use for feed or seed would not be included. In those instances where the household intends to retain the grain without sale longer than twelve months, it should be considered a non-liquid resource as defined at 273.8(c)(2). It should also be noted that farmers who qualify for PIK grain and are already storing grain under a Commodity Credit Corporation Loan will be allowed to divert for personal use the amount of the PIK entitlement from their own storage, and will be released from any obligation for that amount of grain. PIK grain should be considered as described above whether diverted from the farmer's own storage or received from the Commodity Credit Corporation.

/s/ Claire Lipsman

CLAIRE LIPSMAN
Director
Program Planning, Development,
and Support Division

cc: DARO - Bonny O'Neil
PAD - Herb Scurlock
OGC - Dorothy Glancy
LPDB - Marilyn Carpenter
PDRB - Tim O'Connor
PSTB - Jor Pinto

FNS:FNP:PDS:PST:RCOWART:PDS-313:63457:dbh:3/4/83:bp:3/10/83:bp:3/15/83
File:

APR 21 1986

FNP - Farm Income - Iowa

Allan C. Nickels, Regional Director
Family Nutrition Programs
Mountain Plains Region
Denver, Colorado

This is in response to your memorandum on farm income. Several of your questions were about specific items on the 1984 Internal Revenue Service (IRS) Form 1040, Schedule F.

Your first question was whether Federal gasoline tax credits should be counted as income. We discussed this issue with IRS, and were advised that the Federal gasoline tax credit is only a credit against tax liability. IRS further stated that although some self-employed households can get a refund instead of a credit, farmers may only take a credit. In light of this information, we would not count the Federal gasoline tax credit as income.

Your second question was whether the State gasoline tax refund would be income. We would exclude this payment from income under Section 273.9(c)(8). The refund would be counted as a resource in the month received. The 1985 IRS Schedule F combines the Federal gasoline tax credit and the State gasoline tax refund on the same line. The eligibility worker will need to determine how much is for the credit and how much is for the refund.

Your third question was on crop insurance proceeds. These proceeds would be handled as a lump sum under 273.9(c)(8).

Your fourth question was whether the value of a farm animal that was slaughtered for home consumption should be counted as income. The farm animal would not be counted as income because it is considered as a household good.

In response to the issue concerning resources, we need to point out that the resource limits are prescribed by law and can only be adjusted by amendment to the law. Monies that are being held in an account that have been prorated as income would be excluded from resources, consequently these monies would not count against the resource limit. In other words, liquid assets would be excluded in an amount equal to or less than the total prorated income of self-employed households or students. We believe that this has the same effect in principle as Iowa's procedure.

FOOD STAMP PROGRAM POLICY MEMO

Region: MPRO
Index No: 86-9
Provision: 273.11(a)

FEB 28 1986

Subject: Self-Employment Income of Farmers

1. Question:

The Internal Revenue Service (IRS) allows self-employed persons to deduct depreciation as a cost of doing business. Then when a piece of equipment, for instance, is sold before the end of its useful life, the former owner must declare a portion of the depreciation as income. This is commonly referred to as recaptured depreciation. Is recaptured depreciation counted as income for food stamp purposes?

Answer:

We do not count recaptured depreciation as income.

2. Question:

IRS allows for a percentage of certain investments to be deducted as an expense. If the asset is disposed of or ceases to be eligible before the end of the recapture period for recovery property or before the end of the estimated life used to figure the credit, a percentage of the credit may have to be recaptured. This is commonly referred to as recaptured investment credit. Would the policy on depreciation also apply to recaptured investment credits?

Answer:

Yes this policy would apply to recaptured investment credit.

BONNY O'NEIL
Director
Program Development Division

Department of Agriculture

Nutrition Service

Alexandria, VA 22302

JUN 1 0 1986

Ms. Kathyrn C. Bicking
Paralegal
Legal Services Corporation of Iowa
215 Commerce Building
520 Nebraska Street
Sioux City, Iowa 51101

Dear Ms. Bicking:

This is in response to your recent letter regarding the Food Stamp Program.

You asked about certain resource exclusions for self-employed households. Net self-employment income that has been prorated as income is excluded from the resource determination during the period of time it is counted as income. When the net amount of income is computed, self-employment income that has been excluded from income to cover costs of doing business is also excluded as a resource. For example, a household earned $10,000 gross self-employment income last year and expected to earn the same amount this year. Six thousand dollars was excluded from income to cover costs of doing business. Four thousand was annualized and prorated as income for calendar year 1986. The household had $11,000 in a bank account. Only $1,000 is counted as a resource during 1986 assuming other factors remain the same.

As requested, we are enclosing a copy of memorandum to our regional office concerning this matter.

Sincerely,

BONNY O'NEIL
Director
Program Development Division

Enclosure

United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive
Alexandria, VA 22302

Reply to Attn. of: PDS - 312

FEB 6 1984

Subject: Self Employment Income

To: Allan C. Nickels, Regional Director
Family Nutrition Programs, FNS
Mountain Plains Region
Denver, Colorado

This is in response to your memorandum on whether costs of one self employment enterprise can be offset against profits in another. We forwarded your memorandum to the Office of the General Counsel for a formal legal opinion. On further review of this issue, we determined that a legal opinion would not be necessary.

Section 273.11(a)(2)(i) directs the State to add all gross self employment income prior to excluding the cost of producing income. There is nothing in the regulations that limits the number of self employment enterprises that a household can be involved in. Neither do the regulations establish a priority or limit to the amount of the allowable cost of producing income which is to be used in the calculation of income.

The end result of the above is that all allowable costs are subtracted from the total self employment income. By doing this, the State can more accurately judge the amount of income that is actually available to the household.

We regret our delay in responding to your memorandum.

Bonny O'Neil

BONNY O'NEIL
Director
Program Planning, Development
and Support Division

Appendix 15

76-377 0 - 87 - 5

PDS-309

FNP/PDS: Treatment of Livestock

Grady Smithey, Regional Director
Family Nutrition Programs
Southwest Region
Dallas, Texas

It has been called to our attention that we made an erroneous statement in our August 30, 1982 memorandum regarding the treatment of livestock.

This is to clarify that livestock would never be counted as a resource. Livestock would either be excluded as personal property, income-producing property or property essential for self-employment.

s/ paul Stobaugh

PAUL L. STOBAUGH, JR.
Chief
Policy Support
and Training Branch

cc: Herbert Scurlock
Claire Lipsman
Joe Pinto
Tim O'Connor
Marilyn Carpenter
All Regions

FNS:FNP:PST:PDS-309:MPATRICK:eb:03-23-83:X63457
CHANGES:4/13/83:bdh
File: 273.8(e)

MFFH-300:FS 6-1

26 MAY 1983

Mr. Roger Werr, Chief
Bureau of Financial Assistance
Department of Social Services
Hoover State Office Building
Des Moines, Iowa 50319

Dear Mr. Werr:

Subject: Family Nutrition Programs - Resources of Farm Households

This is in reply to your letter of April 25, 1983, regarding farm income and resources.

Number 1 of your letter describes a Security Agreement that several farm households have. Our perusal of this sample agreement indicates that it is a loan agreement containing a description of the farmer's collateral and other terms of the agreement. Because you did not identify it as a loan, which is addressed in the regulations, we tried to determine if the "Security Agreement" was something unusual and not addressed in the regulations. Please advise us if our determination is incorrect.

You should therefore refer to Section 273.11 of the regulations. We are also including a copy of Policy Memo 79-09 which addresses loans to self-employed persons.

In addition, equity value for the grain and proceeds from the sale of farm products would be determined in the same manner that you would ordinarily affix a value to a farmer's resources. The value of grain that has been in storage at least a year would be determined by the current market price.

In regard to question Number 2, you state that the FMHA loans can be withdrawn for living and farm business expenses upon the approval and cosigning of FMHA. These are normally intended to cover a 12 month period.

There are no provisions for prorating the countable portion of this loan amount over the period it is intended to cover. However, the portions of the loan that are specified for business related expenses and that must be approved and co-signed may be considered inaccessible to the household. Therefore, the portion of the loan specified for living expenses would be countable as a resource.

We would like be write to our national office regarding the treatment of income and resources of farm households. We would appreciate some additional examples to include or the identification of specific problems you have incurred. Your prompt response to this request is essential to guarantee your input correspondence to Washington.

Sincerely,

Original Signed by
Ralph W. Morris, Jr.

ALLAN C. NICKELS
Regional Director
Family Nutrition Programs

6-1 General

Department of Agriculture | Nutrition Service | Plains Region | Denver, CO 80211

MPFN-300:FS 6-1

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ECONOMIC ASSISTANCE

14 MAR 1985

Mr. Roger Herr, Chief
Division of Economic Assistance
Iowa Department of Human Services
Hoover State Office Building
Des Moines, Iowa 50319

Hon PH 3-18-85

Dear Mr. Herr:

Subject: Family Nutrition Programs - Grain Held in Storage for Future Sale

In January, when we held our conference calls with the national office on farm issues, we were advised that grain held in storage was not to be counted as a resource until it had been in storage for 12 months. As you will recall, neither your office nor our office was familiar with this policy.

We are enclosing material which states this policy. The policy specifically is that grain is not to be considered a resource unless it is intended to be held in storage for more than 12 months. Although the policy refers specifically to PIK grain, the intent is to apply the policy to all grain held in storage.

We appreciate your continued cooperation.

Sincerely,

Allan Nickels

ALLAN C. NICKELS
Regional Director
Family Nutrition Programs

Enclosure

MPFN-300:FS 6-1 G.Q. 6/1/82

JUN 02 1982

Dr. Robert C. Harder
Secretary
State Department of Social and
Rehabilitation Services
State Office Building, 6th Floor
Topeka, Kansas 66612

Dear Dr. Harder:

Subject: Family Nutrition Programs - Handling Windfall Profits Tax and Self-Employment Income

This is in response to Mr. Schneider's letter dated April 5, 1982, requesting clarification of how the windfall profits tax and self-employment income should be handled in certain circumstances.

Two questions were raised which involve the handling of the windfall profits tax and tax refunds with respect to the 1981 Income Tax Form 1040. A windfall profits tax would not be considered a deduction for food stamp purposes, and would be included under the 18 percent earned income deduction from Section 273.9(d)(2). Since windfall tax refunds and credits would be lump sum payments, they should be included as a resource the month they are received and not counted as income, under Section 273.9(c)(8).

Additionally, questions were asked concerning the possibility of offsetting self-employment losses with income from another source. There is no provision in the Regulations for offsetting self-employment losses with any other source of income. Section 273.9(b)(1)(ii), states that earned income includes the gross income from a self-employment enterprise while paragraph (c)(9) of that section allows the cost of producing that income to be excluded. Therefore, the answer to both questions is no.

If we can be of further assistance, please contact our office.

Sincerely,

Original Signed by
Marcus D. Gadsey

ALLAN C. MICHELS
Regional Director
Family Nutrition Programs

cc: Mr. John Schneider, Administrator, Food Programs Section

USDA:FNS:MPFN:PO VI:SValdez:aq:6/01/82
File: FS 6-1 Kansas

Farm Self-Employment Income and Resources Section 273.11(a) - Questions and Answers

1. Should federal gasoline tax credits reported on the Schedule F be counted as as income for farm self-employment households?

The federal gasoline tax credit should not be counted as income.

2. Should a state gasoline tax refund be counted as income?

The state gasoline tax refund should be treated as a lump sum payment in accordance with Section 273.9(c)(8). The refund is counted as a resource in the month received. The 1985 Schedule F combines the federal gas tax credit and the state gas tax refund on the same line. The eligibility worker will need to determine how much is for the credit and how much is for the refund.

3. Line 28 on the Schedule F is for crop insurance proceeds. How should these proceeds be treated?

Crop insurance proceeds should be treated as lump sum payments.

4. Are clients entitled to restored benefits if the items in questions 1, 2, and 3 have been counted as income to farm self-employment households?

Section 273.17(a) provides that benefits shall be restored whenever the loss was caused by an error by the State Agency. Although policy on these tax form entries has not previously been provided, we believe households which request restored benefits or which can be readily identified by the Agency are entitled to restored benefits if an underissuance resulted from counting these items as income.

5. A farm self-employment household has a federal gasoline tax credit. The credit is not counted as income. Can the household claim the tax as a business expense for food stamp purposes?

Yes. The credit reported on line 11 of the 1985 Schedule F is not counted as income. The total of gasoline expense reported on line 21 is allowed as a deduction.

6. A farmer has filed for bankruptcy under Chapter 7. When the judge acts on the case, the self-employment enterprise will be terminated. How should income be calculated while the action is pending?

The worker should determine the extent to which the self-employment enterprise is continuing while the bankruptcy action is pending. If the farmer has experienced a substantial decrease in business and an average based on the previous year's 1040 is no longer accurate, income should be anticipated based on current circumstances.

From Denver FNS office

7. Farmers will be receiving a number of payments in connection with the Dairy Termination Program (DTP). How should they be handled?

a. Sale of herd - The money received from the sale of the dairy herd should be treated as a capital gain in accordance with Section 273.11(a)(3). Capital gains received in 1986 should not be counted in determining 1987 income unless a comparable gain is anticipated.

Enclosed is a copy of Agriculture Stabilization and Conservation Service (ASCS) Form CCC-312, "Contract to Participate in the Dairy Termination Program." If a household reports the sale of a dairy herd, the worker should request a copy of this form.

b. Commodity Credit Corporation Payments - Payments received from a contract with the government should be treated as earned income. If the self-employment enterprise continues, the income should be annualized. If the self-employment has ended, the payments should be counted as income in the month received or averaged over the certification period, at the household's option per Section 273.10(c)(3). Enclosed is a copy of ASCS Form 306, "Choice of Payment Option". If the household reports receipt of CCC payments, the worker should request a copy of this form. It indicates the amount and frequency of payments.

c. Does the dairy equipment retain its resource exclusion after the herd has been sold?

The equipment retains the exclusion until it is sold. Income from the sale would be treated as capital gain.

8. Can losses from corporate farming be offset against other household income?

If a farmer has incorporated his farm, the loss offset would apply. The losses should be prorated among the households in the corporation in proportion to the share owned by each.

9. Does farmland which is idle because of the farmer's lack of capital retain its resource exclusion?

Yes. The worker should document the circumstances surrounding the exclusion, including the number of acres not used, the estimated time the land will be idle, correspondence with the lender, etc.

10. Is someone who rents out land for farming considered a farmer for the purpose of offsetting losses?

A person who owns the farmland and shares in the farming expenses and profit or loss would be entitled to the farm loss provision.

Enclosure to the September 1980 Monthly Policy Letter

Policy Clarification - Sections 273.11(a), 273.12(c), 273.21(f)

Self-Employment Income

We have received policy guidance concerning several self-employment questions. The questions and answers are:

1. How should farm self-employment expenses be determined when the previous year's tax form is not applicable? Are these expenses allowed as paid or as billed?

   Section 273.11(a)(4) specifies that interest payments to purchase property and taxes must be paid during the period for which the self-employment income has been annualized. The regulations do not specify whether other costs of doing business are included as billed or paid. We will not be establishing a policy on this issue because of the diversity of self-employment enterprises, their expenses, and billing/payment schedules. The state agency should use whatever method is the most appropriate for the household's anticipated circumstances. However, expenses which are billed in one period and paid in another can only be considered in one annual period.

2. How is the agency to determine whether a substantial change in annualized self-employment income has occurred? How will quality control review these cases?

   Because of all the potential variations and the lack of clear regulatory requirements on what changes in annualized income a household has to report, we do not plan to define "substantial" changes. It is up to the agency or caseworker to determine what they are. The following situations may fall into the category of substantial changes: (1) changes in the nature of the business, e.g., producing sugar beets and changing to producing corn; (2) termination of, or starting a new self-employment enterprise; and (3) reported increases or decreases in income which were not previously considered, e.g., planting two crops instead of one, crop failure because of a drought, or a big change in market prices.

   Any changes reported at the time of certification or recertification must be taken into account when determining net self-employment income for the certification period. If any changes are subsequently reported, the state agency must determine if the information was considered at the time of certification or recertification. If the information was previously considered, no further action is necessary. If the information was not previously considered, the state agency must determine if the change would affect the household's eligibility or allotment. If it would, the state must make appropriate adjustments. (Section 273.12(c) requires the state to act on all changes, even those not required to be reported.) To make an adjustment, the state must reannualize the income to determine continued eligibility if there was an increase in net self-employment income and to adjust the allotments for the remainder of the certification period. A new annual net self-employment income amount must be determined taking into

account the changes. For allotment purposes, the new income amount may be averaged evenly over 12 months or prorated unevenly for the remainder of the certification period.

For quality control purposes, unreported changes in the amount of previously reported self-employment income which was annualized are not considered in the error determination. However, quality control does review unreported self-employment income source changes and incorrect state agency action, e.g., if the agency did not consider accurately the most recent income and allowable expense information available or misapplied policy, including computational errors. (See FNS Handbook 310, Section 5760, for annualized income.)

3. Must monthly reporting households which receive their self-employment income on a monthly basis have such income annualized? Section 273.21 (f)(2)(i) provides that self-employment income received other than monthly shall be annualized in accordance with Section 273.11(a). However, Section 273.11(a)(1)(ii) provides that self-employment income received on a monthly basis but which represents a household's annual support shall normally be averaged over a 12-month period. Only self-employment income that is received less often than monthly may be annualized or prorated over the period it is intended to cover for MRRB households without a waiver. The treatment of self-employment income that is received monthly as provided for in the introductory paragraph of Section 273.21(f)(2) is an exception to the provisions of Section 273.11(a)(1)(ii) rather than a contradiction.

   For non-MRRB households, self-employment income which represents a household's annual support, regardless of whether it is received monthly or more or less often is normally annualized. Self-employment income which is intended to meet the household's needs for only part of the year and is received only in some months does not represent the household's annual support and must be averaged over the period of time the income is intended to cover, in accordance with Section 273.11(a)(1)(iii).

4. Does the term "annualized" used in Sections 273.21(f)(2)(i) and 273.11(a)(1)(i) mean the same as "averaged" over a 12-month period as used in Section 273.11(a)(1)(ii)?

   "Averaged over a 12-month period" and "annualized" both mean that the income is counted over a 12-month period. To annualize self-employment income, it must be divided equally over 12 months to determine eligibility and may be divided equally over 12 months for allotment purposes. Please note, however, that for allotment purposes Section 273.11(a)(2)(iv) provides that the annual income may be prorated unevenly over 12 months to more closely approximate when the income will actually be received, provided the monthly prorated amount does not exceed the maximum monthly income standard.

   Concerning self-employment expenses, when self-employment income is annualized, self-employment expenses are annualized over a 12-month period. For MRRB households that receive self-employment income

income monthly, expenses are allowed in the month they are incurred. They are not annualized and they are not prorated over the months they are intended to cover.

Our comments on how specific examples should be handled are as follows:

(a) Example: Self-employment income and self-employment bills are received every month, but the amounts fluctuate.

Comment: For MRRB households, the income and allowable bills are considered for the month in which they are received. Monthly allowable expenses are subtracted from monthly income.

For other households, the self-employment income for the 12-month period is totaled. Allowable self-employment costs for the 12-month period are totaled and subtracted from the totaled income amount. The remainder, if any, is annualized over a 12-month period to determine monthly income amounts.

(b) Example: Same situation as in (a), but some additional allowable expenses are incurred less often than monthly, e.g., quarterly.

Comment: The case should be handled the same as in (a). For MRRB households, the entire quarterly expense is allowed in the month billed. If the expense is more than that month's income, no portion of the expense is carried over to a subsequent month.

(c) Example: Some self-employment income is received monthly, some self-employment is received less often, and expenses are incurred monthly.

Comment: If a household has farm income which represents the household's annual support, such as income from milking and selling grain, all farm income must be annualized together, even if the household has monthly income from milking. If the household has more than one distinctly different type of self-employment enterprise, each type may be handled in accordance with the procedure for that type, e.g., income received monthly for MRRB households must be counted monthly, income which is received less often than monthly which represents annual support must be annualized, and income which is received less often than monthly may be prorated over the period it is intended to cover. In regard to the latter category, the state may, at its option, annualize all self-employment income types (except for monthly income received by MRRB households) if taken together they represent a household's annual income. For example, if a self-employed person receives income from fishing during nine months of the year and income from carpentry work during the remaining three months and taken together the income represents the household's annual support, income from both sources may be annualized together.

Expenses must always be handled the same as the self-employment income to which they apply. That is, expenses must be annualized

if income is annualized, expenses must be averaged over the period of time they are intended to cover if income is so averaged, and expenses must be counted in the month billed if income is counted in the month received.

(d) Example: Some self-employment income is received monthly, some income is received less often than monthly, some expenses are incurred monthly, and some expenses are incurred less often than monthly.

Comment: See (c).

(e) Example: It is impossible to tell if the household will receive self-employment income on a monthly basis.

Comment: For MRRB households, anticipate circumstances based on all available information at the time of certification. If it later becomes known that the income that was annualized will be received monthly, the state should switch the household from annualization to actual monthly amounts during the certification period.

For other households, the issue is whether the income represents the household's annual support, not whether the income is received monthly.

(f) Example: Does it make a difference if the household's business is a farm operation? For example, what if dairy income is received monthly, but grain income is received yearly?

Comment: See (c).

5. For cases for which the self-employment income is annualized, at what point would the next year's income be budgeted? For example, if the household applied in early 1985 and had its income annualized from 1984 tax forms, when would 1985 income be used?

Households whose primary source of income is from self-employment are normally certified for up to 12 months. At the time of recertification, income for the certification period must be anticipated. Past year's income may be used as an indication of future income, but substantial changes must be taken into account. It is customary to phase self-employed households into a cycle whereby the household is recertified when new tax forms become available. However, some states assign certification periods to coincide with the sale of crops and use sources other than the tax forms to obtain information. Either method is acceptable. If the state agency chooses to use tax forms, the household is subject to MRRB, and the tax forms are not available until April, the first retrospective budget month the new income amount is used would be June (in a two-month system).

6. Are individuals who work on a commission basis entitled to deduct work-related expenses from income?

   The state agency must determine whether the commission income is earned as an employee or from self-employment. There are a variety of situations involving persons receiving commissions. Independent self-employment enterprises of one or more persons may represent other firms on a straight commission basis. Some employees of firms receive commission only for their services and others receive a combination of salary and commission. Their work-related expenses vary. Each situation involving commissions must be looked at separately to determine whether the person is self-employed or not. Only if the person is self-employed can the costs of doing business be excluded. Special deductions for commission agents are not allowed by the Act. A partial list of allowable costs for self-employed households is included in Section 273.11(a)(4). The list was not intended to encompass all costs. The agency must make a determination based on individual circumstances.

7. Why are business loans used to produce income counted as resources?

   We believe it would often be difficult to distinguish what portion of a loan is for living expenses and what portion is for business expenses. Moreover, legislation would be required to make this change. Section 5(g) of the Food Stamp Act provides, with certain exceptions, that the resource inclusions and exclusions in the regulations as of June 1, 1982, must be followed. Those regulations allowed a disregard for student loans only if the money was prorated as income.

RESPONSES TO QUESTIONS FOR KATHY BICKING

QUESTIONS SUBMITTED BY HON. MARGE ROUKEMA

Question. Your testimony was wide-ranging, commenting on food stamps, SSI, AFDC, and other programs. You have had a great deal of one-on-one experience with poor people. Could you comment on the difficulties any of these people have had in receiving benefits due to the multiplicity of programs, the different eligibility criteria, the different forms, and the inconvenience of having to go to different locations to apply for different programs?

Answer. I appreciate the opportunity to respond to your questions. However, I do not believe that my comment will be totally representative of what poor people in this country experience in their attempts to obtain public benefits. I say this for the following reasons.

Sioux City, with a population of approximately 80,000, is the largest city in our 13-county service area. With the exception of the Iowa Department of Job Services, most of the human service agencies are in close proximity to one another. In addition, most of the directors of the human service agencies meet on a regular basis to update one another on available services and programs. I am sure that this networking increases appropriate referrals of clients from one agency to another. Because of the geographics and the networking, I would assume that some problems experienced by poor people in larger cities do not exist here.

This is not to say, however, that poor people in Sioux City have no problems. We recently assisted an 80-year-old gentleman who had a housing problem. His monthly sole income was $243 from Social Security retirement benefits. He knew nothing about SSI or food stamps. I am appalled that such a situation could still exist in this community.

The different eligibility criteria and the different forms have caused confusion and, at times, the unnecessary loss of benefits. At one time the State agency's application form contained three paragraphs that were tested to have 9th, 11th, and 15th grade reading levels. Considering that many of the AFDC recipients have less than a high school education, it is ludicrous to expect them to read and comprehend college level material. The form has since been amended, somewhat. Some of my clients, however, still have problems completing and understanding the form.

The form that causes even more problems is the monthly reporting form. I have attached a copy of the example form given to applicants. I have had numerous clients who were terminated from the benefit programs because the completed form never found its way to the worker's desk or was not completed correctly. Many recipients have had to reapply and wait weeks for the benefits that they were eligible for all along.

I am not familiar with the WIC or energy assistance application forms. These programs are administered by the Community Action Agency. My clients have relatively no problems in applying for and receiving those benefits. In fact, in the past 9 years, I have represented only two WIC clients and one energy assistance client. When I compare this to the number of AFDC and food stamp clients, that I have represented, there is no doubt in my mind that the greater majority of problems that poor people experience in our area is with the State agency.

Ironically, the disability application process at the Social Security office is the most efficient. There is no waiting, someone is always available to assist people when they walk in to apply. The workers are very informative and helpful and there is little verification required. The irony is that when a person is denied in this system, and has to go through the entire lengthy appeal process, it can be a year or more before benefits are received.

Question. Following on that, would you comment on the potential benefits of consolidating and simplifying some of the benefit programs?

Answer. I have given a lot of thought to your question about consolidating programs and simplifying some of the benefit programs. It is difficult for me to respond without having some idea to which programs you are referring.

As I said, poor people experience more problems with the State agency than with any other human service program. A prime example is what happened when an advocate took our 80-year-old client to the Social Security office to help him apply for SSI and then to the State agency to help him apply for food stamps. A worker at Social Security interviewed this gentleman immediately, tentatively approved his eligibility for SSI and began processing the application.

A secretary at the State agency was willing to let this gentleman complete a food stamp application, but told him he would have to come back for the interview. When the advocate requested that someone interview him in his home due to his

physical impairments and lack of transportation, the secretary was hesitant. It was only after two supervisors happened by and chatted with the advocate that the secretary agreed that a home interview could be arranged.

So, if your thoughts of consolidating would include, for example, consolidation the food stamp and the WIC Programs, for Sioux City recipients this would mean that the WIC Program would be transferred to the State agency. This would result in problems for those who currently receive WIC. The WIC Program has fewer and less complicated eligibility requirements. Thus, this program becomes more accessible to needy people and is easier to administer. If WIC was combined with food stamps, I believe that it would be the beginning of the end of the program.

I do wish I were able to respond more fully on this question because the benefit programs most certainly do need to be simplified. The mountains of forms, the endless verification requirements, and the multitude of complex regulations create barriers that prevent needy people from having their basic needs met.

Again, I thank you for giving me the opportunity to comment on your concern.

PUBLIC ASSISTANCE ELIGIBILITY REPORT

PA-2140 (Rev 7-86) - 470-0455

Iowa Department of Human Services

IOWA DEPARTMENT OF HUMAN SERVICES

IOWA DEPARTMENT of HUMAN SERVICES
LOCAL OFFICE 808 FIFTH STREET
P.O. BOX 717
SIOUX CITY, IOWA 51102

JOHN DOE
1826 N. OMAHA ST.
SIOUX CITY, IOWA 51103

PHONE NO.

CASE NO.

If you have any questions, phone your worker at:

WKR. NO.
CMA 5

REPORT CODES

CO. NO.
97

THIS REPORT IS ABOUT THE BUDGET MONTH OF
JUNE 1 - 30, 1985

RETURN NO LATER THAN
JULY 5, 1985

FILL IN ANY CHANGES:

Name IF YOUR ADDRESS
Address CHANGES COMPLETE
City/State THIS!!
Zip Code _____ Phone _____
Date Moved _____

READ CAREFULLY

LOOK FOR INSTRUCTIONS HERE!!!

Complete, sign, date, and return this report in the enclosed envelope. The report, along with all needed proof, must be received by the "RETURN NO LATER THAN" date or your benefits may be stopped, late, or reduced. The report is to tell us about the budget month shown above. Some deductions cannot be given when the reports are late. If you need to send proof, there will be this mark ★. Be sure your name is on each proof so the proof can be returned to you. If you do not send proof for an expense when you are required to, no deduction will be allowed.

PERSONS IN YOUR HOUSEHOLD

The following persons receive benefits in your case or are counted to determine your level of benefits.

Name	S.S. Number Fill in if Blank	Type of Aid	Date of Birth	Still Living With You Mark YES or NO
JOHN DOE	999-99-9999	F	10-12-54	YES [X] NO [ ]
MARY DOE	999-99-9999	F	01-08-55	YES [X] NO [ ]
JAMES DOE	999-99-9999	F	02-12-80	YES [X] NO [ ]
				YES [ ] NO [ ]
				YES [ ] NO [ ]
				YES [ ] NO [ ]
				YES [ ] NO [ ]
				YES [ ] NO [ ]
				YES [ ] NO [ ]
				YES [ ] NO [ ]

IF ANYONE HAS MOVED OUT, EXPLAIN IN (12).

IF ANYONE HAS DROPPED OUT OF SCHOOL, EXPLAIN IN (12).

List everyone else in your home and complete each space by their name. (Be sure to list an absent parent who has returned to the home.)

1.				
2.				
3.				

*TYPE OF AID: ADC (A) REFUGEE (R) FOOD STAMPS (F) MEDICAL (M)

★ 2 STUDENT INCOME AND EXPENSES

Is there a student in your household who is in college or in a training program?

YES ☐ (fill in below)
NO ☒ (go to (3))

★ (3) INCOME FROM WORK

Did anyone in your household receive earnings from work? YES (fill in below) [X] NO (go to (4)) [ ]

IF INCOME STARTED THIS BUDGET MONTH, INCLUDE PROOF (FROM EMPLOYER) OF THE DATE THE FIRST CHECK WAS RECEIVED.

Wage earner's name	JOHN DOE
Employer's name or type of self-employment	STANDARD OIL 1900 GENEVA

	Date Received* Amount*
1st Paycheck	6 - 1
2nd Paycheck	6 - 8
3rd Paycheck	6 - 15
4th Paycheck	6 - 22
5th Paycheck	6 - 29

Send in all pay stubs or other proof (such as an employer's statement) and tip records. If you are self-employed, do as worker told you to do.

*This may not be the same as the date on pay stub.

Did this wage earner stop working during this budget month? YES [ ] NO [X]

If yes, what was the reason? _____

IF INCOME STOPPED THIS BUDGET MONTH, SEND PROOF (FROM EMPLOYER) OF THE DATE THE FINAL CHECK WAS RECEIVED.

Wage earner's name	
Employer's name or type of self-employment	

	Date Received* Amount*
1st Paycheck	
2nd Paycheck	
3rd Paycheck	
4th Paycheck	
5th Paycheck	

Send in all pay stubs or other proof (such as an employer's statement) and tip records. If you are self-employed, do as worker told you to do.

*This may not be the same as the date on pay stub.

Did this wage earner stop working during this budget month? YES [ ] NO [ ]

If yes, what was the reason? _____

IF INCOME STOPPED THIS BUDGET MONTH, SEND PROOF (FROM EMPLOYER) OF THE DATE THE FINAL CHECK WAS RECEIVED.

If there are more jobs to report, give the same information in (12).

★ (4) UNEARNED INCOME

Complete the unearned income chart below for everyone in your household.
CHECK EACH ITEM "YES" OR "NO". If "yes", show the amount received, who received it, and the date received.

If additional space is needed, give information in (12).

		AMOUNT	RECEIVED BY WHOM	DATE(S) RECEIVED
JTPA	YES [ ] NO [X]			
Social Security, Railroad Retirement	YES [X] NO [ ]	$150	MARY	6 - 3
Supplemental Security Income (SSI) Veteran's Benefits	YES [ ] NO [X]			
Child Support, Alimony	YES [ ] NO [X]			
Military Dependency Allotment or Allowance	YES [ ] NO [X]			
Job Insurance Benefits (Unemployment), Disability Insurance Payments, Worker's Compensation	YES [ ] NO [X]			
IPERS, Civil Service, Other Pension or Compensation	YES [ ] NO [X]			
Money from Friends or Relatives	YES [ ] NO [X]			
Money from Interest (proof is not needed)	YES [ ] NO [X]			
Other income not listed above — Explain	YES [ ] NO [X]			

If anyone has applied for benefits (such as Social Security, Job Insurance Benefits, etc.) which have not been received, complete items below.

WHAT WAS APPLIED FOR	BY WHOM	DATE APPLIED

(5) RESOURCES AND PROPERTY OF HOUSEHOLD MEMBERS

For everyone in your household, report resources below. Examples of resources are: checking accounts, savings accounts, certificates of deposit, contents of safety deposit boxes, cash values of life insurance policies (for ADC and Medical only), savings bonds, IRA accounts, credit union accounts, etc. CHECK EACH ITEM "YES" OR "NO". IF "YES", FILL IN THE INFORMATION.

Does anyone have cash on hand? YES [X] NO [ ] AMOUNT $ 26.00 WHO JOHN DOE

Does anyone have checking or saving accounts? YES [X] NO [ ] If yes, explain below.

NAME(S) ON ACCOUNT	NAME OF BANK OR CREDIT UNION	TYPE OF ACCOUNT	BALANCE
JAMES DOE	SECURITY	SAVINGS	$100.00
MARY DOE	SECURITY	SAVINGS	$105.00

Answer each question below. If YES, give information	LIST ITEM	MAKE/MODEL/ YEAR OF VEHICLE	WHAT IS IT WORTH	AMOUNT STILL OWED	WHOSE NAME IS IT IN
Does anyone own or is anyone buying a vehicle such as a car, truck, motorcycle, boat, camper, snowmobile? YES [X] NO [ ]	CAR	FORD MUSTANG 1975	$2,000	-	JOHN & MARY DOE
Does anyone own or is anyone buying a home you don't live in, land, or buildings? YES [ ] NO [X] Where is it located? _____					
Does anyone have stocks, bonds, trust funds? YES [ ] NO [X]					
Does anyone have any other resources? YES [ ] NO [X]					

★ (6) PAYMENTS MADE BY OTHER PERSONS OR AGENCIES — Send proof when amount has changed

Did any person or agency pay all or part of your rent, utilities, or house payment? YES (fill in below) ☐ NO (go to (7)) ☒

	WHO PAID	WHAT BILL	TO WHOM WAS IT PAID	HOW MUCH
1.				
2.				

★ (7) CHILD CARE OR DISABLED ADULT CARE

If you paid someone to care for a child or adult who lives with you so you could work, look for work, or attend school, fill in below.

	WHO RECEIVED CARE	AMOUNT PAID	REASON FOR THE CARE
1.	VERIFICATION IS REQUIRED!!		☐ WORK ☐ SCHOOL ☐ OTHER (explain)
2.			

If any person or agency paid all or part of your child care, explain. Who? _____ Amount? _____

(8) FOOD STAMPS If you don't get Food Stamps, go to (9)

Does everyone who must do so agree to register for work or job search? YES ☒ NO ☐

Please list someone other than a household member who could act as a representative to pick up your Food Stamps or to purchase food with the stamps. _____

★ SHELTER COSTS: SEND PROOF of shelter costs if amounts have CHANGED. Also SEND PROOF of new expenses if you have MOVED. If you do not list the amount of shelter costs, you may not receive a deduction.

DO NOT ROUND AMOUNTS

Rent or lot rent	$ 150.00	per	mo.
House payment	$	per	
If not included in house payment, give... Property Taxes	$	per	
Homeowners Insurance	$	per	
Special Assessments	$	per	

Do you live in low rent housing? YES ☐ NO ☒

Are you provided housing at no cost? YES ☐ NO ☒ If YES, explain _____

★ UTILITIES

Do you pay utilities? YES ☒ NO ☐

If YES, mark the box by the utilities you pay or you may not receive a deduction.
If page one says you are using ACTUAL utility bills, then you must also tell us how often you get a bill and send PROOF of the amount.
You must send PROOF of the utilities you will pay if you have MOVED.

		HOW OFTEN DO YOU GET A BILL
☒	Heating	
☒	Air Conditioning	choice between std. and
☒	Electricity	actual. Worker will
☒	Cooking	explain.
☒	Telephone	We use a set amount if you have a phone.
☒	Water and Sewer	
☒	Garbage/Trash	
☐	Hook-up Fees/ Other Charges (Send proof)	

★ MEDICAL COSTS: If anyone in your household is disabled or over 59 and that person had medical expenses, fill in below. If not, go on. (Medical expenses may include health insurance, Medicare premium, dentists, medical transportation, etc.)

	NAME OF PERSON	AMOUNT	HOW OFTEN
1.			
2.			

(9) HEALTH INSURANCE (10) (11)

If you or an absent parent added, dropped, or changed health insurance coverage for any eligible persons, fill in below. If not, go to (10).

	NAME OF PERSON COVERED	POLICY HOLDER/ POLICY NUMBER	SERVICE COVERED	NAME/ADDRESS OF Insurance Co.	
1.	QUESTIONS 9 & 10 NOT FOR FOOD STAMPS.				
2.					

★ (10) SUPPORT TO PERSONS NOT IN YOUR HOME

If you or your spouse (if living with you) paid support or alimony to persons outside of your home, fill in below. If not, go to (11).

	PERSON MAKING PAYMENT	RELATION		
1.				
2.				

(11) EXPECTED CHANGES

Do you or anyone included in your household expect any changes in income (such as number of hours, rate of pay) or circumstances in the next 2 months? YES (explain below) ☐ NO (go to (12)) ☒

(Attach additional pages if necessary.)

12. EXPLANATION OF YOUR ANSWERS

Please use this space to explain any of your answers. (Attach additional pages if necessary.) Then go to (13).

(13) SIGNATURE AND DATE — For ADC, both parents in the home must sign

READ THESE STATEMENTS CAREFULLY BEFORE YOU SIGN.

- I know what I have reported here. I believe that it is true, correct, and complete.
- I agree to allow Quality Control and Project Integrity reviewers to check my answers with other persons to review my assistance.
- I know that the facts I have given on this report may cause my assistance to be reduced, increased, or stopped.
- I know that I may have to repay assistance that is received incorrectly.

John Doe — Month 6 Day 30 Year 85
Recipient/Applicant/Representative

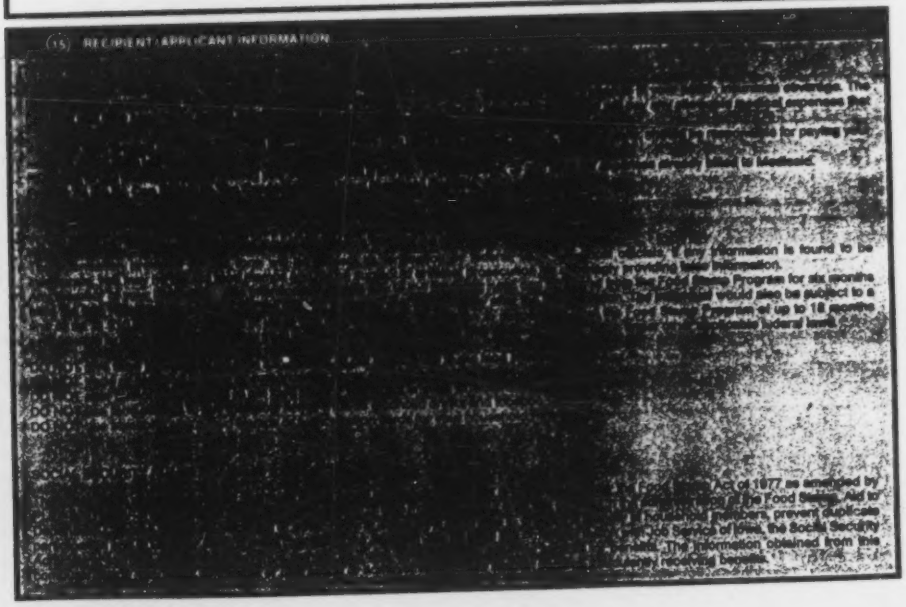
Mary Doe — Month 6 Day 30 Year 85
Other parent or stepparent in the home

_____ Month _____ Day _____ Year _____
Witness to mark or person who helped complete the report

You have the right to ask for a fair hearing if you do not agree with an action taken on your case.

(14) WORKER COMMENTS

(15) RECIPIENT/APPLICANT INFORMATION



PREPARED STATEMENT OF RICHARD PORT, FARMER, WESTFIELD, IA

My name is Richard Port. I have lived on a farm in Plymouth County in Iowa all of my life. In 1975, my parents incorporated the machinery portion of the farm into a Sub Chapter S. At that time, I was married, and was working a full-time job in a nearby town and working on the farm. Shortly after I quit my job in town and began farming on a full-time basis to start working into the business by buying shares in the corporation.

I did not buy into land because it was going up in price and I felt that it had to stop. Well, it kept going higher, so in 1982 I finally bought some land at $600 and $750 per acre from my parents. I was twenty-seven at the time and I felt if I wanted to get it paid for in my lifetime I would have to start soon.

At this time I acquired a loan from Production Credit Association to make improvements in a hog confinement and to buy breeding stock to help pay for the farm loan. In a matter of two years, the land prices had dropped too far and this put me in a debt to net worth ratio not acceptable to Production Credit Association. So, they were forcing me to sell out.

I acquired a loan from my parents to keep from being sold out. But, in the meantime, the price of hogs had fallen and the price of grain had dropped drastically, thus causing problems of making ends meet.

My aunt works for the local Community Action Agency. She was promoting the WIC program. She talked us into applying for it back in 1980. This was somewhat accepted in the community so we did not have too many problems accepting it ourselves. We told ourselves it was

for the kids. We have four children, ages 9, 12, and twins age 4.

Things did not improve and we decided that if we were going to have a chance to save the farm at all, we were going to have to swallow our pride and seek aid. At that time there were no church help groups or food pantries available. All that was available was food stamps.

My wife really struggled with this dilemma as there were very strong feelings about someone who was on food stamps, but she finally agreed that we had to do something.

On March 6, 1984, we applied for food stamps and were initially approved. On April 19, 1984, the Iowa Department of Human Services notified us that there was a mistake in figuring eligibility and that we were not eligible for food stamps. We appealed but the hearing officer found in favor of the local office. We contacted Legal Services as we felt the decision was not right. Legal Services agreed and told me that they would handle it if we would agree to see it through to the end. Legal Services felt that it could be won and that it could help other farmers to receive aid.

This was difficult to answer, because the feelings of the people in the mid-west, especially those of rural up-bringing was that if you were on food stamps you were either a leech on society or you were a total failure. That was also the way I felt at that time, and the last thing I needed was for it to be advertised all over in a court case. But, we felt that by swallowing our own worries about other people finding out about it, maybe some good could come out of this ordeal we were going through. So, we agreed.

We did not know at that time that it would entail twenty-seven long months and three different formal appeals. A continuing problem

was that once we were found eligible for food stamps in one situation, they needed more information about something else, as if they wanted to find some other way to deny us. This continued for what seemed like an eternity and if it had not been for Legal Services and the thought that maybe it would help others, the sheer frustration of beating your head against a brick wall would have been enough to make us feel the odds were too much.

We did not receive food stamps from August, 1984, until March, 1986. The final decision of the third appeal was issued in October, 1986. In November, we finally received the last of the back food stamp benefits that we had been eligible for all along.

Looking back now, I can see that the changes brought about by this case have helped a lot of farmers in Iowa. And, I am grateful that I had the support to continue through the appeal process. However, during the seventeen months that we did not receive food stamps, I borrowed money to feed my family. That loan cannot be repaid with the food stamp settlement that I received.

We received a total of $4,729 in back food stamp benefits. I had to buy a safe to store them. When the local office was finally convinced that I was eligible for the back food stamps, I was asked if I wanted to receive them all at once or if I wanted to receive so many every month. After all the problems that I had in proving that I was eligible, I was not going to trust the local office. I believed that if I did not take them all at once that they would somehow find a way to keep them.

PREPARED STATEMENT OF GORDON HARPER, M.D., PHYSICIAN TASK FORCE ON HUNGER IN AMERICA; CHILDREN'S HOSPITAL, THE JUDGE BAKER CHILDREN'S CENTER, AND HARVARD MEDICAL SCHOOL, BOSTON

Members of the Committee:

Thank you for your invitation to testify on hunger among farm families affected by the Farm Crisis of the 1980s. I speak as a member of the Physician Task Force on Hunger in America. During the last four years the Task Force has conducted research, including field visits, into the re-emergence of hunger among millions of Americans. Our investigations have taken us throughout the country: since 1983, we have conducted hearings and field investigations in 26 states and the District of Columbia. Regarding the Farm Crisis, field teams from the Task Force conducted field visits in 1984 in Illinois and Missouri; in 1986, in South Dakota and Iowa; and in 1987, as we concentrated on areas where depressed regional economies have left many families far behind the economic "recovery" nationally, we visited Minnesota and Iowa.

I am pleased to have this opportunity to report on our findings.

HUNGER - BECOMING A CHRONIC PROBLEM

Our general findings are distressingly easy to summarize. Contrary to the statements of some political leaders that hunger is rare today, we find everywhere we go, that hungry people are easy to find. In Tennesee and South Dakota, in Pennsylvania and California, on the West Side of Chicago or in Houston, and in the small towns of Mitchell, South Dakota, or Itta Bena, Mississippi, we have spoken to Americans who tell the same stories.

They tell of children who eat their Cheerios with water when the milk runs out at the end of the month.

They tell of mothers who regularly dilute their babies' formula with water to make it go further, when they have only have four bottles to get through the week, and who then fill the bottle with water.

They tell of elderly people who eat canned dog food, or who have to choose between buying digitalis or buying bread, or who go without food to pay the electric bill.

They tell of young men, unemployed and unable to feed their families, and of mothers with young children, who regularly scavenge through dumpsters for edible garbage.

In our 1984 report, Hunger in America: the Growing Epidemic, we calculated that 20 million Americans go hungry at least part of every month.

In the Farm States, the breadbasket of the nation and the world, hunger may be less intense, it certainly is less readily seen (as many economically failing farms continue to look good outwardly), but it definitely exists: there are many hungry people in the Midwest. In Peoria, Illinois, in Marshall, Minnesota, in Waterloo, Iowa, and in Sioux Falls, South Dakota, we found the disturbing picture of "hunger amid plenty".

In Des Moines, we heard about parents going without food so their children could eat.

In St Paul, we heard about a school bus driver, interrupting a fight for food among children on the bus, learning that some of the children had no food at home, who then brought in some food for them.

In Clear Lake, Souith Dakota, a woman told us with tears in her eyes how she had defied her proud husband by going to get Food Stamps for her hungry family, "I had to do it for the children."

In Marshall, Minnesota, we heard of farms where "all they raise will go to the federal land bank. They can't raise food for themselves, but what they raise for others they can't eat." Two malnourished elderly people were found, one too weak to walk, the other requiring nursing home placement.

In each place we went, there is a waiting list for food supplements through the WIC program-- meant for the nutritionally needy pregnant and nursing mother and for the infant and young child-- the available money does not cover those in need and eligible.

In Minnesota, a man cried as he told us he couldn't provide a dinner for his daughter who was getting married.

...ke to families who were hungry but couldn't even ...er their livestock because they lacked the money ... for processing.

...eople in all the Farm States were generous in helping us to understand the paradox of "hunger amid plenty."

Rural people are more vulnerable to hard times today because fewer farmers are practicing general agriculture (partly because most farmers or their wives now have off-farm employment), fewer even have gardens, and because more people in cities or small towns have no relatives "on the farm" to help out when the cash economy fails.

The crazy quilt of economic dependence which ties the farmer to the banks and the credit associations (a web which many Midwesterners believe is part of a deliberate plot to drive family farmers off the land), in a time of volatile land and commodity prices, has dragged down the able and ambitious who expanded in the 1970s and leaves farmers working for someone else and not able to eat or sell the food they raise.

We heard about one farmer, in jail for default on a bank loan, who was allowed to leave jail each morning, returning each night, "to milk the cows which now belonged to the bank."

And for those who have lost their farms, or who lost regular manufacturing jobs, the new jobs available amount to only semi-employment, at minimum wage or less, often less than full-time, and without fringe benefits.

In these parts of the Farm Belt, economic hardship and endemic hunger are becoming stable parts of the landscape-- a major change from the pattern of boom-and-bust-and-boom, always at the mercy of the weather, with which farmers have reckoned. This is worse.

HUNGER - PEOPLE'S RESPONSES

The stories of what these changes mean to individuals and families are difficult to elicit only in one respect: all over America, proud people are hurt and ashamed that they cannot provide their children with food. They would rather smile and lie, even to sympathetic outsiders, than admit they do not have enough to feed themselves. "Oh, we're making out fine, it's a struggle, but we make do," we have heard, in Waterloo, Iowa, in Marshall, Minnesota, or in Sioux Falls, South Dakota, even as we heard it here in the District of Columbia, within sight of the Capitol, from people who had no food in the house.

Two years ago, we accompanied members of the House Subcommittee on Public Assistance and Unemployment on a field visit to a family of seven living on Sherman Avenue, NW, only a few miles from the Capitol. They were, they said a

bit defensively, "doing fine," although the 11-month-old baby was, for unexplained reasons, failing to grow. Moving from the living room to the kitchen, we found a package of macaroni and some traces of stew in an uncleaned pot. That was all the food there was in the house, for this family of seven, including the infant with the "unexplained" failure to thrive! No milk, no bread, no formula for the baby. One of the Congressmen, on the sidewalk after the visit, said, "You can discuss programs and budgets in the Congress, but it's all conceptual. When you visit a family like this, it's a different story. I feel changed as a Congressman and as a person by this visit."

In South Dakota, Minnesota and Iowa we heard of families driving forty miles to spend their Food Stamps where neighbors couldn't see them.

We also heard of children hiding food, lest their fathers know that others were helping out and punish the hungry children for accepting the food.

HUNGER - PRIVATE SECTOR RESPONSES

The response of the private sector is also similar around the country: private initiative has responded generously to a massive need as of yet far from met. Volumes of aid provided have doubled and tripled, but the numbers of those in need keep rising.

In Minneapolis we visited the Loaves and Fishes feeding program run by several churches in that city, staffed each night by members of different congregations who come regularly, driving 45 minutes to an hour each way, to take their turns at serving the hungry.

In St Paul, the Rev. Tom Quigley, Director of the Greater Minneapolis Council of Churches, reported that Minnesota Food Share, started just 5 years ago, now delivers 16 million pounds of food to 300 "food shelves," or distribution centers. But he reported a growing fatigue in the church sector; while appreciating this massive private effort, he feels definitive answers lie in public action, state and federal.

The numbers stagger those trying to help through the schools, as they do those helping through the churches.

In Waterloo, Iowa, when school authorities planned a summer feeding program, they expected 300 children might show up; the first year, over 1000 showed up. This year 2000 are receiving lunches, 800 breakfasts.

Everywhere we went, we heard of arbitrary limits set to "keep people from coming too often." It is clear to those working in the feeding centers that the need is not yet met. In Marshall, Minnesota, a family can only come back five times per year, up from three times last year.

HUNGER - THE FEDERAL RESPONSE

With the private sector operating at full throttle, what of the Federal government? In the Federal response to hunger in America, we have seen both the best and the worst our government has to offer.

We were surely doing our best, as a people and as a government of and for the people, when a series of Republican and Democratic administrations, starting with President Nixon in 1970, declared that hunger had no place in America, then conceived and implemented the array of federal food programs, including Food Stamps, Women-Infants -and-Children (WIC), School Lunch and School Breakfast programs, and the nutritional component of Head Start. Within a few years, these programs achieved their aim: they brought food into homes where previously there had been none.

I have been in homes as poor as any in America, in the Mississippi Delta, where barefoot and scantily clad children toddle on dirt floors near open fires, but where those children are eating meat and drinking milk purchased with Food Stamps. Seeing that food in those homes makes one appreciate what we can do as a people. While these families are still desperately poor, we as a society have nonetheless managed to guarantee the nutritional well-being of children who a generation ago would have had pale, dry skin, thin, dull hair, and distended bellies.

That is the best of America-- that we can recognize a need and respond generously and effectively to it.

The worst of America is seen in the way that those same programs are being administered today. Their administration is divisive, pitting neighbor against neighbor. It is mean-spirited, assuming the worst of poor people in a way never done with the affluent. And it is demeaning, requiring that families lose everything before they can get any help. It can even be anti-family, requiring parents to give up custody of their children.

Federal Food Stamp regulations, ostensibly written to deliver food to the hungry, are so complex, so frequently changing, and so daunting to the Food Stamp workers that they universally make the workers more worried about limiting the number accepted and not making an error in the recipient's favor than they are concerned with making sure that those eligible, let alone those in need, are served. An adversarial atmosphere is created. There are no incentives to make sure that the hungry are fed; there are multiple incentives encouraging the worker, when overpressed and in doubt, to err on the side of denying benefits.

The devotion and generous motives of public servants are systematically undermined by regulations which put the burden of proof on the recipient and the burden of error on the worker and the State. Wouldn't it make more sense to assume that statements are made in good faith, and to verify them by random, systematic audits (as we do with other government programs), than to cripple

a program through regulations which require those already embarassed by being needy to involve employers and landlords in multiple and repeated documentation?

The Food Programs, as administered, have no outreach effort to document, let alone to reach and enroll, the unserved eligibles. To our great national shame, despite volumes of private sector documentation of the extent of hunger in our nation, we have no systematic governmental monitoring of whether families have enough to eat. We know (as well we should) about the concentration of trace elements in our rivers and lakes, we know about the numbers of original vs retreaded tires on our highways, we know what is the mix of insurance payors in communities around the country-- but we don't know how we are doing at making sure that children have enough to eat! Without pretending that legal requirements of official monitoring solves problems (as no one who cares about surface mining could believe), hasn't the time come when such a vital matter of national interest should be taken up officially and no longer left exclusively to the efforts of volunteer citizen efforts?

In addition to the lack of monitoring, another thing we see in State after State is the way that red tape, bureaucratic indifference, and the lack of any incentives for creative problem-solving on behalf of the needy actually <u>make more painful</u> the lives of those already suffering poor health and economic misfortune. The grotesque actions of governmment which result were epitomized for me by the situation of one man in Waterloo, Iowa.

A man I'll call Charles Haskins, in his late 60s, has worked as a factory worker and as a Bible salesman. He has also served in the Navy. He is now dying of esophageal cancer. He is quite poor. He lives alone in a small cottage by the Cedar River, thanks to the help of his sister and the Visiting Nurse Association. Above his bed hangs a feeding tube through which a feeding formula (he can't take anything by mouth) flows into his stomach; nearby is a portable oxygen tank on which he increasingly relies to get enough to breathe. His dying days are complicated by the efforts of the Social Security Administration to recover from him several hundred dollars overpaid in error by either the SSI or the VA-- he had received a lump sum which should have been declared at the time. Every few weeks now, despite the efforts of the VNA to call off these bureaucratic hounds of hell, he receives dunning letters threatening reprisal if he does not repay the money by a certain date-- by which time, in all likelihood, he will be dead.

The final irony in this situation is that he is well-nourished, for a terminal cancer patient, because the type of cancer he has (blocking his esophagus) makes him unable to take oral nutrition, so that he receives his nutritional needs by prescription from the Veterans Administration. Given his income, it is likely that if he had another kind of cancer, he might well, in addition to having a terminal illness and in addition to being bureaucratically hounded on the way to the grave, be malnourished for economic reasons

as well. He has, in fact, enough to eat because he has esophageal cancer!

The Shakespearean phrase, "The quality of mercy is not strained," appears ambiguous to many. Without being sure of its exact meaning, I do feel that it does not refer to the way our Federal service agencies are treating Charles Haskins.

Such situations amaze and shock. They also make one anger, as one realizes that the systematic disqualification of eligible applicants and the harassment of those trying to obtain legally entitled benefits, is not only morally grotesque and cruel, it is also illegal.

Here we may recall the recent finding by the General Accounting Office, in a small audit, that 25% of disqualified Food Stamp applicants were in fact eligible. The Food Stamp program is being administered illegally. It is the intent of Congress to deliver Food Stamps to those eligible, and an Administration which systematically and inaccurately denies those benefits to the eligible, is breaking the law. Plain and simple.

I think there is a growing disinclination in this country, manifest in the inside-trading scandals on Wall Street, in the scandals among the television ministers, and in the investigations into Iran-contra affair, to tolerate illegal and unethical conduct by those in positions of trust and power. Isn't it time to apply that investigational (and prosecutorial) spirit to the administra-

tion of federal food programs?

THE FARM CRISIS - WHAT IT MEANS TO FAMILIES

All of us on the Task Force Force have been impressed with the high toll taken by the Farm Crisis on the people themselves. We had read stories about increasing depression, suicidality, domestic violence and alcohol abuse among the farm populations, but we were not prepared for the full personal impact of a Farm Crisis which has cost one third of the farm families in Iowa their farms, and one half of those in other areas.

In South Dakota last year and again in Minnesota and Iowa this year, we have stood with proud, strong men as they cried over the loss of their farms and the collapse of their dreams. "I was the Number One hog raiser in South Dakota in 1981," one such man said to me, "and today I can't say if I'll be here next year or not."

We asked one woman how she was making it, how she was able to survive, and she said, "I just go for walks, it's the only time I can scream and yell. I have so much on me."

Another woman talked about losing the family farm and she said one of her kids asked, "Why is Dad going off to walk by himself?" She answered, "He's had this land longer than he's had you. Losing it is like losing a child to him. He needs some time alone."

One woman, who is losing the family farm and can't afford medical care for her child with recurrent ear infections, said simply, "My husband is depressed, we don't talk to one another, we scream. The kids know we are apart, it's not good." In the past he has talked about suicide. "He had to get away last summer. The only way he could make money was to go on the wheat harvest which meant he would be away for four or five months. He went and was away for three months. It was very hard. I almost lost it during that time. The only way I kept going was to go and visit my sister in Montana for two weeks. It's the only time I'd been away in several years. There's just no getting away from it. Right after he left, he had put in the crops and the cutworms came and destroyed them. I had to put the new crops in with help from a neighbor, and watch them constantly for cutworms. It was almost impossible."

We heard of children "growing up scared"-- unusual talk in farm communities.

Where are the dispossessed farm families going, we asked? No one seemed able to tell us. But we were asked not to visit a high school where four youths had suicided in the previous year.

To put this in perspective: it is one thing to lose one's job. There is a growing literature on the health consequences of job loss, to which studies like that of Kessler and colleagues in

Michigan, studying the unemployed around Pontiac, are making an important contribution.

There is another set of health consequences of chronic hunger, the background fear of the farm couple that they will not be able to feed their children, or that their need will be seen as a sign of weakness or failure by public servants whose job it is to provide legally mandated assistance, or that their efforts to obtain that help will be received in an adversary atmosphere. These effects have concerned the Task Force in all our studies.

But here in the Midwest we have something in addition, beyond the effects of job loss by itself and even different from the effects of chronic hunger. Here we have men and women and children losing their place in an order which ties together the personal, familial, economic, cultural, and natural worlds, an order in which families are formed and children raised in the course of producing food and fiber from the ground and of earning a living, in communities living close to, and utterly dependent on, the daily and annual cycles of Nature.

> "If you wonder why we do this, with all these problems," a woman told us in Clear Lake, South Dakota, "you'd have to come out here and stand by the window in the Spring, when the moist smell is coming off the fields and the birds are singing. You're welcome to come any time-- I'm not sure you'll understand us any other way."

What impresses us in the Farm States is the larger loss being sustained by those losing their farms-- much more than a loss of a job.

And the losses don't "make sense," in any larger economic or historical framework. As far as I can make out, they don't. Anyone walking through the stony fields of upland New England can understand the gradual attrition of farmers from rural New England-- virtually uninterrupted since the first days of the Republic; those changes made agricultural and economic "sense" during the days when the Midwest was being opened up. But the present Farm Crisis does not spring from long-term changes in our need for food or in the way we raise it. It seems rather to be fueled by arbitrary and fickle government policies, which, in treating land only as an economic resource, albeit a resource riding a roller coaster, penalize the ambitious and discount the social and political value to the nation of the relationship of farming families to their farms.

The consequences of these losses-- of job, home, place, community, tradition, relation to the land-- may be with us for longer than we think.

The children growing up "scared" are growing up.

Dr William Beardslee, a member of our group, from whose field notes a number of these observations come, wrote, "As a psychiatrist, I am almost afraid that many of these people will

never recover, their lives have been so shattered."

The family farm and the life lived close to the earth have had a special place in the culture which we all, rural and urban alike, share. This tradition has been expressed by voices as diverse as those of Vergil, Thomas Jefferson, William Jennings Bryan, E B White, and Louise Erdrich. One of the ways we on the Task Force, most of us from the cities, have been fortunate in this work, which most of the time is very painful, is that we have been able to speak with and learn from people who are living that tradition and can express it to us.

For these reasons I personally look with special concern at the loss of so many family farms in the Midwest. In Iowa they told us that one-third of the farms will be at risk of foreclosure by this year. The personal and family connections which farm families have to the soil, not just to their work, are different from the connections to place, to community, and to the natural order enjoyed by the rest of the us. The argument has been made, by the likes of Jefferson, Lincoln, and Bryan, among others, that such families contribute disproportionately to the strength of the Nation. A policy which regards the intimate relationships, cultivated over decades or generations, between farm families and their farms, as just one other economic relationship to be transferred according to the whims of the marketplace, seems to me not only cruel, but short-sighted in the extreme.

PREPARED STATEMENT OF LARRY JONES, FOUNDER AND PRESIDENT, LARRY JONES INTERNATIONAL MINISTRIES AND FEED THE CHILDREN, OKLAHOMA CITY, OK

INTRODUCTION

What Has Happened to the American Farmer:

The great contradiction of the 1980s is that the world's best farmer, the American family farmer, is being penalized instead of rewarded for his efforts. With over nine billion bushels of surplus grain, there are thousands of American farmers who are hungry, frustrated and at the point of desperation concerning their debt -- to the point that many of them have committed suicide.

While the American farmer is foremost among the top agriculture producers in the world, he is also in debt. Presently, as many as 13,000 are losing their farms each month.

Despite recent bumper crops, Midwestern farmers in general are no better off than they were in the late '70s. The large harvest of 1986 has driven the price of corn down even lower, and finding adequate grain storage facilities has become a huge and costly headache. It has been an almost impossible situation for the American family farmer to react to falling prices, loss of foreign export markets and production costs.

The demise of the American farmer has also had far-reaching effect beyond the family farm. Many farm-related businesses have collapsed, along with other businesses in rural communities. It is estimated that for every six farms that are lost, one business is lost.

In April/May of 1986, I rode a tractor and walked through the nation's wheat belt from Wichita, Kansas to Oklahoma City. Walking or driving along these country roads you might not guess that farmers are in trouble, but the appearance of tranquility is hauntingly deceptive. I passed town after town whose businesses had been whittled away. Empty buildings lined the once busy streets. Of course, when that business is lost, then the domino effect takes place, and more jobs are lost.

In 1926, farmers had a difficult time. We all know of the depression in 1929. Someone has said that depressions are farm led and farm fed. It seems the economists have forgotten that when the farmer produces a crop and sells it, he produces a new dollar. That dollar helps to fuel new business, maintain old businesses and keep our factories running. When that dollar is taken away, then those businesses which that dollar has helped to support suffer.

The economic crisis that's taking place in the Midwestern part of the United States is definitely farm led. If we are to help people get jobs, get off of welfare and maintain an acceptable form of living, then we must come to the aid of the American farmer. When we help the farmer, we are actually helping all of society.

Instead of being rewarded and congratulated for doing a good job, the American farmer, his family, and related small businesses and industries, are standing outside the economic circle wondering what has happened. According to Don Kendall of the Associated Press, Agriculture Department officials as saying that the Agriculture Department plans to confiscate federal crop subsidies that may be due thousands of farmers who have been judged terminal credit risks by the Farmers Home Administration and in the same article reported the IRS as holding back income tax refunds as payment against FmHA debt.

America's Poor and Hungry:

In the midst of this farm crisis, there are over 20 million Americans who are malnourished (according to the Harvard Physicians Task Force). Appallingly, a significant number of these millions are our farmers. A few weeks ago I interviewed a farm couple who had to dig through grocery store garbage bins for food. Not only did they collect food for themselves, but for several other families who would also go hungry. It's Hard to believe that one out of every four children and one out of every two black children are malnourished in a country where we do not have enough elevators to store our surplus and some of that surplus is stored on the ground. The U.S. had bumper crops in 1986 on top of record yields the year before, with no place to sell the crops, no place to store them and no place to export them. According to the Texas Department of Agriculture, in Texas last year, up to 30 million bushels of grain sorghum were stored on the ground, because there was simply no place left to put that surplus. In fact, according to the USDA Supply and Demand Report (1987), it is costing the American tax payer $3.6 billion a year to store this surplus while literally millions are malnourished and hungry.

According to Nancy Amidei, a former director of the Food Research and Action Center, four out of ten Americans live below the official poverty line. Also, two million full-time workers, many of them with families, can be found in poverty. Sixty percent of all poor families include workers. In an article entitled "The New Faces of Poverty" which appeared in the March 23, 1987 edition of Scholastic Update, Barbara Perris stated that "many of America's newest poor people were once members of the middle class...In recent years, Americans have faced changing world markets, increased competition from abroad, and a shift away from an economy based on industry to one based on businesses that provide services." The article further stated, "Many Americans have adapted to these changes. but some, usually through no fault of their own, have not. Their ranks include thousands of bankrupt farmers and laid-off factory workers...Changes in Americans' life styles have also taken their toll. The rising divorce rate, for example, has pushed thousands of American women in poverty. Married, these women raised families and depended on their husband's income. Alone, they often lack the training needed to get jobs that can pay their bills and feed their children."

A few months ago I visited Decatur, Illinois and stood on top of 3.2 million bushels of government-controlled surplus corn that was being stored on the ground because elevators were filled to capacity. The corn was piled one half mile long and as wide as a football field. I also visited a potato grower who had six million pounds of potatoes stacked and rotting because of the poor market. How in the world did America get in the predicament of having too much food or allowing a surplus with hungry people all around us?

Our Farmers are Hungry Too:

In fact, the world is wondering how the American farmer could be hungry when he has produced an abundance, and yet is strapped by policies that have not only stripped him of his dignity, caused him to lose his self-worth, but made him search through trash bins to feed his family and his neighbors. Chris Rink, assistant director of the Oklahoma Wheat Commission stated: "The farm crisis is due to factors beyond the farmer's control. In most of these, worldwide economic factors were at least partially controlled by U.S. policy. I'm talking about agriculture policy, monetary and fiscal policy, and foreign relations. So in the end, I feel the U.S. Government has a certain obligation and responsibility to correct the problems facing family farmers and to provide income support until those factors are corrected."

A PROUD HISTORY/AN UNCERTAIN FUTURE

The American farmer is probably the last in a unique brand of people who stand alone with that early spirit that helped explore, develop and make this country great. Farmers are independent, proud and tough. They have not only fought floods, famine and insects, but they have also fought policies that have been detrimental to them. They have toughed it out when a dairy buyout did not send dairy cattle overseas, but thew dairy cattle on the beef market and plummeted the beef prices. They tightened their belts when Russia invaded Afghanistan because our protest was a grain embargo. When they were told to plant fence row to fence row in the late 1970s, they geared up to feed the entire world. Why else would they have desired to expand? The money was available, land prices were going up, and as everyone knew, there would be no more land. They took the challenge and jumped at the chance to be the leader in whipping world hunger.

And now when subsidies that were designed to aid the family farmer get raided by big business and other Federal agencies, farmers seem powerless. The Associated Press reported June 1, 1987, that the "Texas Department of Correction last year received more than $700,000 in federal subsidies for cotton harvested by convict machinery operators on state prison farms.

The department of Texas corrections also received $55,000 in farm disaster payments plus $458,860 under the Inventory Protection Program. Chevron figures to receive $26,000 in deficiency payments for cotton and other crops grown by producers working under sharecropping arrangements on its property near Fresno, California. Amoco appears certain to receive more than $85,000 in deficiency payments and marketing loan benefits for rice operations in Louisiana and Texas. Sun Exploration Company should come in for at least $39,089 in deficiency payments plus an estimated $35,000 in marketing loan benefits for rice produced on property owned jointly with Amoco in Liberty County, Texas.

Now it looks as though many farmers are not going to make it -- and they have taken it personally. There are so many factors that have spelled their defeat, including the high interest rates, the fall of the dollar, and the loss of markets. But the farmer feels the bottom line is that he is a failure.

According to an American Bankers Association (ABA) survey, in the fiscal year ending June 30, 1986, the percentage of farmers who went out of business increased from 4.8% to 6.2%. Also, according to USDA estimates, of the 2,274,730 farms existing in 1985 that 6.2% represents a loss of more than 141,000 farms nationwide by the end of 1986.

In "The Rise of the Rural Ghetto," published in The Nation magazine, it was reported that "last year the number of farm families in Iowa receiving food stamps soared by 400%. Social workers say that cases involving spouse and child abuse are on the upswing, and the Iowa Youth and Shelter Services reports a sharp rise in the number of rural runaways."

One must understand and realize that the American farmer is a little bit different than people in other occupations in this great land. Many of the farmers have inherited land. Some have been in the family three, four and five generations. They feel that the land is part of their soul. We have a definite responsibility to this special group of people who have fed us for the past 200 years. We must not only help them, we must also understand them.

Senator Don Nickles of Oklahoma said, "Until the problems of farm families are reversed, the fabric holding together rural America will continue to tear." At this crucial moment in history, we are getting ready to lose a whole segment of people that has made this nation great.

THE AMERICAN FARMERS' ALIENATION

Several factors over the last several years have contributed to the mass alienation of our family farmers:

1. Few Political Allies: Many politicians believe it is not profitable to stand up for the American farmer because there are so few of them. Since their voting block is not powerful, therefore it is not politically profitable to take a stand for the farmer.

2. Inadequate Loan Information: The GAO Report on the "Farmers Home Administration Property Management" states, "One of the main issues raised in Coleman vs. Block was that FmHA's appeals process for delinquent borrowers was inadequate because the borrowers were frequently unaware of their rights. In November 1983, the judge hearing the case issued a preliminary injunction that precluded FmHA from foreclosing or requesting voluntary conveyance of property until borrowers were informed of their right to apply for a loan deferral and provided an opportunity for an appeals hearing as called for in FmHA regulations. In February 1984, the court ordered the preliminary injunction to be made permanent."

3. Unjust Legal Representation: Not only have farmers had difficulty finding out what their rights are, they have also had difficulty in hiring an attorney who will be 100% in their corner. Farmer after farmer has shared with us that attorneys have told them they cannot go against the bank or a lending institution in their small communities because, if they do, they will never get another case.

   This has done nothing but complicate the farmer's problem. Some of the most effective cases for the American farmer have been from attorneys from other states who are not afraid to go up against the lending institutions. The old buddy-buddy system in the small town is helping to destroy the American family farmer.

4. Unfair Financial Witholding: Farmers have repeatedly told us of lending institutions holding their checks even after they have received them. Numerous farmers were unable to buy seeds and fertilizers for the planting seasons because their checks were held by the lending institution.

   Numerous farm mothers have told us with tears in their eyes of being out of medicine with sick children in the home and also without food in the cupboard, and the checks were withheld from the families anywhere from two to eight weeks. This humiliation has caused great anxiety and stress among the American farmers.

Also, the farmers who have gone to apply for food stamps have been humiliated because the food stamp system is concerned with a person's assets and not their debts. Therefore, when they have applied for food stamps, the agency has looked at their assets and stated that they are not eligible when in essence the farmer has no money whatsoever because his cash flow has been cut off because he is so heavily in debt. Here again, the system is against him.

With regard to food stamps, contradicting stories have surfaced regarding food stamp assistance. Josh Bohannon, supervisor of the Food Stamp Program for the Oklahoma Department of Human Services, has told us he instructed his employees not to consider homes, home property, or producing farmland as assets which would preclude farmers from receiving food stamps. However, the Oklahoma Conference of Churches Farm Hotline Director, Mona Lee Brock, says she gets calls every day from needy farm families who have no groceries and have been turned down for food stamps because they owned land. According to Brock, she knows of farmers who have needed assistance for two years. They still don't have food stamps.

One instance is Cassie Stacy, of Scipio, Oklahoma. Stacy said all of her producing farmland and house were considered against her claim for food stamps. She and her husband have farm debts totaling more than $70,000 a year. They have seven children and her mother lives with them. They have no groceries in the house. They have been turned down three times for food stamps.

5. Loans: Principal versus Interest: A number of farmers have shared with us that when they got ready to make a payment on their loan, without knowing it they made their payment and it was applied to the principal. When it is applied to the principal, then that's considered capital gain, and the next thing they knew, the IRS was standing at their door with a big tax bill.

   Farmers who knew they should apply their payment to the interest and not to the principal, asked the lending institution to make the payment toward the interest were told that it had to go against the principal. In some cases, there was all but a legal battle and finally the farmer won out. The question the farmer keeps asking is why everyone is against him. It's only natural that a man who is broke, if his payment is made toward the principal and not the interest, doesn't have the money to pay the IRS.

6. Surplus: In the meantime, this enormous productivity and the subsequent surplus is like an invisible blight upon the land. The United States agriculture exports had tumbled

almost 40 percent in five years as Europe, Australia, Canada, and Argentina competed in a world market glutted with food. Even India had begun exporting wheat. North Dakota's 33,000 farmers had plunged some 5.7 billion dollars in debt. Now 17 percent of them were delinquent in mortgage payments, and as many as 5,000 were expected to be out of business before the state centennial in 1989.

"The boom came when the Russians harvest failed in the early seventies," I was told by farmer Bruce E. Viker, who with his brother, Dewel, produces wheat, barley, sunflowers and sugar beets on 5,000 family-owned acres in the Red River Valley near Hillsboro. According to National Geographic (March, 1987), wheat went from $1.70 to $5.96 a bushel. An acre of land jumped from $300 to $1,500 and $1,700. Now we've gone from six dollar wheat and $15,000 tractors to three dollar wheat and $45,000 tractors, and you can't sell an acre of land for $900.

When federal crop subsidies are confiscated, the farmer does not realize any of the federal crop subsidies; therefore, this puts a cramp on his cash flow. Here again, with these federal agencies working together, the farmer feels like everyone is against him.

This is why Congressman Glen English has stated, "Banks and lending institutions worked with farmers during the 1930s and the 1950s, but it seems today that the policy is, 'Foreclose now and ask questions later.'"

7. Surveying Farmers' Alienation: Finally, to determine the extent of the American farmers' alienation, my Feed the Children organization queried farm telephone hotlines in a ten-state area.

The results for the ten state area survey from their estimates are as follows:

1. Number of calls you receive from farmers: 99 per day, 2,277 per month

2. Number of farmers calling under extreme stress: 69/day, 1,587/month

3. Number of farmers considering suicide: 3/day, 69/month

4. Number of farm families suffering from hunger: 43/day, 989/month (defined as missing 2-3 meals a day for at least 3 days asking for food assistance)

5. Number of farmers who can't pay their utility bills: 46/day, 1,058/month

6. Number of farmers who need gasoline for family vehicle: 38/day, 874/month

7. Number of farmers who have told you they were strongly urged by government agencies to take out larger farm loans than they wanted (per the committee's request): 34/day, 782/month

8. Number of needy farmers who have been denied food stamps: 21/day, 483/month

We also asked the leaders or directors of the hot line to make a statement concerning the farm crisis, and they, too, are enclosed.

Nancy Gallimore - Texas Farm Crisis Hotline:

"Farmers applying for food stamps have been totally humiliated and harassed. Texas does not consider your debt, only assets. Farmers are suffering from severe depression."

Myrt Armstrong - North Dakota Mental Health Association:

"The farm crisis is a long way from being resolved. Farmers are hanging on by a string. In North Dakota we are experiencing major, major economic distressed state. Many are third and fourth generation family farms."

Sara Curran - Illinois, South Project, Inc.:

"Every farmer's suffering. Even farmers who have done well in the past are facing a farm crisis. We still need policies that will address both hunger and the need to keep farmers on the land."

Judith Dye - Nebraska, Interchurch Ministries:

"Who's going to own the federally possessed farmland? Is it going to be available to new and re-entry farmers? Otherwise, you'll have hungry people in the city rather than well fed people in the country."

Pete Brent - Iowa Farm Crisis Hotline:

"It's not over and it's not better. They (farmers) gave up on the government and they feel like the government is 'spewing' a bunch of propaganda."

Mona Lee Brock - Oklahoma Farm Crisis Hotline:

"Human lives are being toyed with. Families are being destroyed. Total destruction of the farmers is being effected, unless we act now! The time has run out -- please heed our plea! Action must be implemented now to stop the genecide of family farmers."

Nedalyn Testolin - Wyoming Rural Support Network:

"The Farm Credit System refused to loan this farmer approximately $35,000 but would loan $70,000 instead. They discouraged and refused to loan lesser amounts. Because of gliches in the food stamp system that prevent farm families from becoming income eligible, they've been denied food stamps even though they don't have sufficient income to buy food."

Carol Liebnow - South Dakota Farm Help Hotline:

"In our area, the number of farms are steadily being foreclosed on, thus creating mental and physical stress upon each farmer. We need legislation to give farmers an opportunity to stay on their land because a lot don't have any other education."

Genise Lewis - Missouri Farm Credit Counseling Services, Inc.:

"In getting food stamps, (the agency workers) don't take into consideration the debt against assets or if it tied up. I would say there's a larger number of people needing assistance. We're having a lot of farmers under stress and therefore having medical problems. But they've let their health insurance premiums go to make ends meet."

Kimberly Williams, Kansas FACTS Hotline:

"I see more people reaching out for help. The calls are more serious -- welfare of the family instead of financial farm problems. Food stamp people do not understand how to determine whether farm families are eligible (for assistance) or not."

Finally, Pete Brent, who runs the Prairie Fire Iowa Farm Crisis Hotline, believes our farmers would work for nothing just to keep their farms and land. Brent says, "Sometimes you ask yourself, 'Why would I want to survive?' It's like the joke, someone asks the farmer what he'd do if he won a million dollars? And he says, 'Oh just keep farming till it ran out.' That's what you sense. The futility of it. That's when I feel like the trench soldier in World War I. I could stay here in the trench indefinitely, waiting to get killed, knowing I will be. Or I could at just some arbitrary moment climb up out of the trench and take the bullet."

By the fall of 1984, one third of Iowa's farmers were facing severe economic problems, and a third more had financial difficulties. Many were so ashamed of their failure that they handed over their land even before the banks foreclosed. As the demand for feed, fertilizer, equipment and other goods and services dwindled, dealers and shopkeepers also went bankrupt. Marriages cracked, and alcoholism, suicide and domestic violence increased.

8. Misguided Foreign Assistance: Senator Don Nickles is to be commended for trying to give legislation that will stop the funding of low interest and long term loans to bail out farmers and energy producers in other countries. However, those loans should never have been made in the first place. The American farmer wonders what was happening when those loans were first made.

The problem with the American farmer has put Congress running here and there, trying to stop legislation that is definitely helping the foreign farmer and putting the American farmer at an even greater disadvantage. There has been a perverse national policy that asked farmers to sow enough grain to feed the world (farmers repeat bitterly the Washington order of a few years ago to "Plant fence row to fence row") and then placed embargoes on exports that prevented them from doing so. There also has been the expensive dollar overseas, making American commodities comparably unattractive against those from South America; a subsequent fall in land prices that made a farmer's land worth less and less -- despite bankers' assurances a few years ago that such land ownership would bring prosperity. Then, in the spring of 1986, the bankers informed the farmers they were too poor to receive loans to plant that year.

9. Fear Tactics: It has been my privilege to speak at a number of farm rallies throughout the Midwest. Some of these rallies have not had the attendance that was anticipated or expected. When we inquired, we were told by numerous farmers that farmers said they were going to stay away from the rallies because they were told if they showed up at a rally in protest of some of the practices that are going on in America, their loans would be escalated. This type of fear should not dominate the United States of America.

Senator Tom Dashall from South Dakota stated, "Any person who tells you that farmers and ranchers have decided that things are fine is just plain wrong. Any person who says our rural families have given up is wrong, too. Farmers and ranchers still want a decent and a fair price, a chance to compete. Farmers and ranchers are still angry and scared. They might be quieter on the outside, but they are still hurting on the inside."

THE NEED FOR ACTION

No Time for Blame

It is time for Republicans to quit pointing their fingers at the Democrats, and the Democrats to stop pointing their fingers at the Republicans. The farm issue is far too important to this nation, and for two political parties to argue and lay blame.

Some say the farmers were too greedy. Others state that the lending institutions used bad judgement. Another group blames the loss of foreign markets on the demise of the American farm.

There are may issues and many factors responsible for the problem in which the American family farmer finds himself. However, all the negative energy that is used in blaming either the government, the lending institutions, the weather or foreign policy will not bring a positive conclusion to a terrible problem. Therefore, it's time the farm problem stops being a political football. It's also time, as one person stated, that we stop doing as little as we can, as late as we can.

John Kennedy said it best, "Let us not seek the Republican answer or the Democratic answer, but the right answer. Let us not seek to fix the blame for the past. Let us accept our own responsibility for the future.

The American family farmer is far too important to be caught in the middle of a great debate. Already the American family farmer believes that he has been left out in the cold. Right now he is freezing.

Private Sector Assistance

Strategies must be created and objectives must be reached ending the foreclosures and help the farmer re-group and plan for the future. While we wait for government to finally assume its responsibility both for the farmer's dilemma and for his salvation -- those of us in the private sector must act.

While everyone talks policy, nobody is aggressively attacking the surplus which is the albatross around the farmer's neck. Last August we at Feed the Children began an aggressive program to buy America's surplus and feed some of the hungry Americans that have been affected by the economic crunch. We have been strong urging the government to release its 3.2 million bushels of surplus grain to feed this country's hungry. As I stated earlier, while exploring this situation,, we came upon tons of surplus corn rotting in river barges. [redacted] Some of this grain, is held against loans owed by our farmers. If the government would release the surplus, we at Feed the Children and others like us can move it

to the hungry. In fact, since last August, Feed the Children has been in 36 states, to 93 distribution points who, in turn, have distributed food to 1,097 feeding centers. Ultimately, this has touched the lives of one and one-half million people. We are only one relief agency.

Secondly, we are planning three days in Washington, D.C., the Labor Day weekend, September 5th, 6th and 7th, to help distribute over a million pounds of America's surplus through over 800 churches in the Washington, D.C. area.

The Role for America's Churches

At present, there are over 339,000 churches, temples and synagogues in the United States. The answer to America's hungry, the answer to getting rid of America's surplus, lies not just with the government and a variety of private relief agencies, but with America's churches. This group has never really tackled the American hunger problem or flexed it's muscles when it came to taking our surplus and feeding the hungry. When politicians plan for the future, they look at old programs and try to come up with creative ways to help the needy and the hungry. The outside factor looking for new solutions should include the private religious sector.

We at Feed the Children believe that hunger could be whipped if the 339,000 churches aggressively attacked this problem. With simple math, if each of the 339,000 churches, synagogues and temples would purchase four truckloads of surplus grain a year, that would be over a billion bushels of grain. Had they been doing this for the past ten years, America would not have a surplus and their hungry people would be fed.

The Need for Legislation:

We still must look to our government for leadership and assistance. Benjamin Franklin said 'Those who govern, having much business on their hands, do not generally like to take the trouble of considering the carrying into executing new projects. The best public measures are therefore seldom adopted from previous wisdom, but forced by the occasion."

If one agency like Feed the Children can help to affect the lives of a million and a half people, think what can happen if legislation is passed that will release surplus grain and the funding to take that grain not only to feeding centers but also to indian Reservations and other places where there are hunger pockets in this great land.

Conclusion:

If I may close my testimony with wise and pertinent observations and advice:

In William Jennings Bryan speech "Cross of Gold," (July 8, 1896) he said, "Burn down your cities and leave our farms, and your cities will spring up again as if by magic; but destroy our farms and the grass will grow in the streets of every city in the country."

From Charles Warner: "There is life in the ground; it goes into the seeds; and it also, when it is stirred up, goes into the man who stirs it."

And finally from Thomas Jefferson: "Indeed I tremble for my country when I reflect that God is Just."